



VOLUME I: MAIN REPORT

Growth with Equity in Mindanao (GEM) Program

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**MINDANAO ECONOMIC
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Davao City, Philippines



Submitted by:

**GROWTH WITH EQUITY IN MINDANAO
(GEM) PROGRAM**



THE Louis Berger Group, INC.

Engineers | Scientists | Economists | Planners
The General Contractor

FINAL REPORT

Growth with Equity in Mindanao (GEM) Program

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List of Acronyms and Abbreviations

Accelerating Growth Investment and Liberalization with Equity (Program)	AGILE
Agrarian Reform Beneficiary/Agrarian Reform Community	ARB/ARC
Agriculture and Fisheries Modernization Act	AFMA
ARMM Business Council	ABC
Asean Free Trade Area	AFTA
Asian Development Bank	ADB
Autonomous Region in Muslim Mindanao	ARMM
Board of Investments	BOI
Brunei Darussalam-Indonesia-Malaysia-the Philippines East ASEAN Growth Area	BIMP-EAGA
Build-Operate-Transfer	BOT
Bureau of Fisheries and Aquatic Resources	BFAR
Business Support Organization	BSO
Canadian International Development Agency	CIDA
Chamber of Agriculture, Fisheries and Food Industries of Northern Mindanao	CAFFINORMIN
Chamber of Commerce and Industry	CCI
Community Committee	COMCOM
Comprehensive Agrarian Reform Law	CARL
Comprehensive Effective Preferential Tariff	CEPT
Confederation of Mindanao Provincial Governors, City Mayors and Municipal Mayors League Presidents	CONFED
Contract Officer's Technical Representative	COTR
Coordinating Council for Private Sector Participation	CCPSP
Coordinating Council for the Philippine Assistance Program	CCPAP
Credit Union Empowerment and Strengthening (Program)	CUES
Department of Agrarian Reform	DAR
Department of Agriculture	DA
Department of Budget and Management	DBM
Department of Environment and Natural Resources	DENR
Department of Foreign Affairs	DFA
Department of Interior and Local Government	DILG
Department of Public Works and Highways	DPWH
Department of Science and Technology	DOST
Department of Tourism	DOT
Department of Trade and Industry	DTI
Department of Transportation and Communications	DOTC
Development Bank of the Philippines	DBP
Emergency Livelihood Assistance Program	ELAP
European Union	EU
Executive Order	EO
Fresh Frozen Seafood Processors Association of the Philippines	FFSPAP
General Agreement on Tariff and Trade	GATT
General Banking Act	GBA
Government of the Philippines	GOP
Growth with Equity in Mindanao (Program)	GEM
Hazard Analysis and Critical Control Path	HACCP
Illegal, Unreported, and Unregulated Fishing	IUU
Infrastructure Monitoring and Advisory Group	IMAG
Japan Bank for International Cooperation	JBIC

Japan International Cooperation Agency	JICA
Livelihood Enhancement And Peace (Program)	LEAP
Local Government Unit	LGU
Long Gestating Crops	LGCs
Management Committee	MANCOM
Maritime Industry Authority	MARINA
Memorandum of Understanding/Memorandum of Agreement	MOU/MOA
Metric Tons	MT
Microenterprise Access to Banking Services in Mindanao (Program)	MABS-M
Mindanao Agriculture and Fisheries Council	MAFC
Mindanao Budget Summit	MBS
Mindanao Business Conference	MINBIZCON
Mindanao Business Council	MBC
Mindanao Coalition of Development NGOs	MINCODE
Mindanao Container Terminal Port (Project)	MCTP
Mindanao Development Program	MDP
Mindanao Economic Development Council	MEDCo
Mindanao Fruit Industry Development Council	MinFruit
Mindanao Lawmakers Association	MLA
Mindanao Rural Development Program	MRDP
Mindanao State University	MSU
Mindanao State University-General Santos City Foundation	MSUF
Mindanao Trade Expo Foundation	MTE
Moro Islamic Liberation Front	MILF
Moro National Liberation Front	MNLF
Multilateral High Level Convention (on Management and Conservation of Migratory Species in the Central and West Pacific)	MHLC
Muslim Business Forum	MBF
National Irrigation Administration	NIA
Non-Government Organization	NGO
Northern Mindanao Vegetable Producers Association, Inc.	NMVPAI
Office of Economic Development and Governance	OEDG
Office of the Presidential Assistant for Mindanao	OPAMIN
Office of the Presidential Assistants for Regional Concern	PARECO
Official Development Assistance	ODA
Philippine Chamber of Commerce and Industry	PCCI
Philippine National Police	PNP
Philippine Peso	PhP
Republic Act	RA
Seaweed Industry Association of the Philippines	SIAP
Securities and Exchange Commission	SEC
Shallow Tube Well	STW
Small and Medium Enterprises	SMEs
SOCSARGEN Federation of Fishing Associations and Allied Industries, Inc.	SFFAI
South Cotabato, Sultan Kudarat, Sarangani and General Santos City	SOCSKSARGEN
Southeast Asia Fisheries Development Council	SEAFDEC
Southern Philippines Council for Peace and Development	SPCPD
Special Activity Fund	SAF
Special Zone of Peace and Development	SZOPAD

SZOPAD Accelerated Enterprise Development Program	SZAED
Targeted Commodity Expansion Program	TCEP
Transparency and Accountable Governance (Program)	TAG
TREES Consortium Mindanao	TCM
United Nations Development Program	UNDP
United States Agency for International Development	USAID
United States Dollar	US\$
University of Asia and the Pacific	UA&P
University of the Philippines Marine Science Institute	UPMSI
US-Asia Environment Program	USAEP
Vegetable Industry Council of Southern Mindanao	VICSMIN
Western Mindanao Seaweed Industry Development Foundation, Inc.	WMSIDFI
World Trade Organization	WTO

Growth with Equity in Mindanao (GEM) Program

Executive Summary

BACKGROUND

Mindanao is the second largest island in the Philippines. It makes up 34% of the country's land area and combined with the Sulu Archipelago has a population of about 20 million, or 25% of the Philippine's population. Sixteen of the 23 poorest provinces of the Philippines are in Mindanao, and half the people on the island live below the poverty line. The economy is based on the production of basic agriculture and aquaculture commodities, with little value-added on the island in terms of food processing. From the mid-1970s to early 1990s, a combination of deteriorating peace and order and a national government that was able to give only limited attention and financial support to the island, resulted in a poorly performing economy and a general sense in the remainder of the Philippines and the world that Mindanao was at best a land of little opportunity and at worst a dangerous frontier.

Strong support for Mindanao development coming from the national leadership in the 1990s began rapid and far-reaching changes in both the economic realities and the public perception of Mindanao. The period 1995 through early 1998 saw an upsurge of infrastructure investment in roads, ports and airports on the island. The government also shifted from heavily regulated to more deregulated, market-driven and private sector-oriented economic policies. Importantly, in 1996, a peace agreement was signed between the GOP and the Moro National Liberation Front (MNLF), ending decades-old hostilities that discouraged economic activity in the region. It was an environment conducive to generating positive economic results from the Program.

The Growth with Equity in Mindanao (GEM) Program started just as the Philippine Government turned its attention to economic development in Mindanao. This Program aimed to help bring about peace and accelerate economic growth in Mindanao, while ensuring that the benefits were distributed widely among its people. The Program, a partnership between the Government of the Philippines (GOP) and the United States Agency for International Development (USAID), was initiated on August 28, 1995. The contract was awarded to the Louis Berger Group, Inc.

Beginning in late 1997, a series of unexpected economic, political, security and climatic events began to pose significant constraints on the accomplishment of Program objectives. These adverse events included the "Asian Financial Crisis" and the resulting credit squeeze (1997-2002); the worst incidence of El Niño drought conditions in decades (1998); heightened conflict between the Philippine army and various Muslim armed groups (late 1999 to 2002); the widely publicized kidnapping of foreign tourists and development workers in Central and Western Mindanao (1999-2002); and political turmoil in the nation's capital (late 2000 and early 2001). These events, while often having only a short-term impact on specific GEM field activities, had a significant long-term impact on the investment environment in Mindanao and the Philippines. GEM responded to these events by shifting emphasis from facilitating investment to accelerating trade and helping to strengthen peace.

To adjust to the changing economic and political climate in Mindanao, three significant modifications were made to the GEM contract. In April 1998, the Program contract was amended to incorporate a new component focused on conflict-affected areas and neighboring provinces in Mindanao. It was designed to help accelerate economic progress in the parts of Mindanao that historically had a significant Muslim population. New activities were aimed at intensifying enterprise and agribusiness development and assisting former Moro National Liberation Front (MNLF) combatants make the transition from guerilla fighters to productive farmers. In October 1999, the GEM contract was amended to expand assistance to additional former MNLF combatants. In September 2000, the Program contract was further amended to extend the five-year Program by two years and to provide additional GEM support to the Mindanao Business Council (MBC) and other business support organizations, and to establish a cold and cool chain system for fruits and vegetables.

The key counterpart for the Program was the Office of the President with important guidance provided by the Chairman of the Mindanao Economic Development Council (MEDCo). Within USAID, overall technical direction and guidance was provided by the Economic Growth Advisor in the Office of Economic Development and Governance (OEDG). GEM worked with USAID and MEDCo in the planning, implementation and assessment of all activities under the contract. The key private sector counterpart was the Mindanao Business Council (MBC), an umbrella organization of Chambers of Commerce and producer organizations. The Program also worked closely with local government units (LGUs), the Government of the ARMM, GOP line agencies (especially the Department of Agriculture and its attached agencies such as the Bureau of Fisheries and Aquatic Resources, and the Department of Trade and Industry), business support organizations, cooperatives, firms, other donors, and NGOs (such as the Bangsamoro Women's Foundation for Peace and Development). What GEM accomplished would not have been possible without the close collaboration with and support from these partners.

OBJECTIVES & TARGETED RESULTS

The strategic objective of the GEM Program was to help accelerate the economic transformation of Mindanao. Special emphasis was given to spurring economic development in conflict-affected areas. Three primary results were intended for GEM: (1) expanded participation of lower income groups in more productive enterprises by helping farmers and fisherfolk increase their productivity and access new markets, and by facilitating new job-creating private investment; (2) an improved trade and investment environment in Mindanao by assuring that basic infrastructure required to support the rapidly growing economy were in place, that government policies and practices identified by business organizations and conducive to rapid and equitable economic growth in Mindanao were adopted, and that business support organizations were effectively functioning; and (3) increased economic progress of Mindanao's religious and cultural minorities by helping rebuild peaceful and economically sustainable communities in conflict-affected areas.

To assess the Program's performance, quantitative targets were set for each of the Program's four focus areas: enterprise development, infrastructure development, policy modification assistance, and institutional strengthening. These targets included, but were not limited to:

activation of five to eight new GEM-assisted projects annually by small and medium enterprises in each of the six targeted regions; facilitation of 40-60 joint ventures or other business arrangements between SMEs and investors; development and implementation of 10-20 technical assistance and training efforts organized by local chambers of commerce; increased prosperity for approximately 70,000 small farmers and fisherfolk; and net generation of 40,000 to 70,000 new jobs.

THE GEM APPROACH

GEM used a catalytic and supportive approach to help firms and cooperatives enter into marketing agreements and joint ventures, and to help business organizations to campaign for infrastructure investment and policy modification. Capability building was accomplished through learn-by-doing, on-the-job training. GEM also used a multi-disciplinary approach to bring about the desired results by integrating, in a mutually supportive way, activities working together to accelerate enterprise development, infrastructure development and necessary policy change. The approach was also flexible so that the Program could respond to emerging needs and targets of opportunity and modify its approach as the working environment changed.

ACTIVITIES

The Program implemented a wide range of activities designed to enhance the productivity and competitiveness of farmers, fisherfolk and small firms, and to foster a supportive environment for trade and investment. There was a particular focus on stimulating economic activity in conflict-affected areas, recognizing that continuing political instability and conflict had kept the region mired in poverty.

Support to Farmers and Fisherfolk

In support of its objective of accelerating the economic transformation of Mindanao, the Program initiated activities intended to increase the variety, volume and value of Mindanao products and provide access to new, more profitable markets. A corollary goal was to expand the participation of lower income groups, including Muslim communities, in these productive activities.

GEM played a valuable role by transferring technology, providing technical assistance and identifying new markets for farmers, fisherfolk and enterprises. GEM helped more than 56,000 Mindanao farmers and fisherfolk adopt or expand production of higher value crops and access new markets, increasing their income by over 100%. GEM provided technical assistance and training to over 78,000 farmers and fisherfolk. About 18% of beneficiaries were Muslims; 23% were women; and 14% were members of indigenous communities. GEM also helped arrange 27 contract growing agreements and 83 marketing agreements with a combined sales value of over PhP1.7 billion.

In 1997, GEM initiated the “Targeted Commodity Expansion Program” (TCEP) to focus its agribusiness support on key agriculture, aquaculture and fisheries sectors. The TCEP was

intended to help bring about the solid introduction or significant expansion of non-traditional commodities, including mango, other high value fruit (durian, mangosteen, bananas, lanzones, rambutan, calamansi), timber, rubber, coffee, peanuts, fish and aquaculture. Particularly benefiting from this program were the fishing, seaweed and vegetable sectors.

Due to its critical importance to the economy of Southern Mindanao, the GEM Program included a strong focus on sustaining the tuna fishing industry. GEM helped assure that the size of the annual fish catch did not exceed “sustainable” levels for the different species being caught and landed, and that the fishing industry provided a sustainable long-term contribution to the economic development of Southern Mindanao. With GEM assistance, the tuna industry organized itself into regional and national organizations. With the organizational structure in place, GEM supported the Philippine’s active participation in an international fisheries management organization that helps ensure regional tuna catches are within sustainable limits and that reduces the level of illegal and unregulated fishing in the Western and Central Pacific. GEM also supported initiatives to implement bilateral fisheries management and access agreements with neighboring countries which, among other elements, provide for sustainable stock management and access of Philippine fishing craft to those countries’ waters. The first bilateral agreement was signed with Indonesia in 2001. In collaboration with DA-BFAR and DFA, GEM conducted a series of programs which resulted in a significant reduction in the catch of subjuvenile yellowfin and big-eye tuna and improvement in fish quality and price.

GEM promoted the expansion of the tuna processing sector to increase value-added to the existing tuna catch without placing additional pressure on the resource. GEM assisted private firms as they launched some 40 discrete fishing, processing, and marketing ventures. These ventures entailed total private investment of about US\$39 million, and resulted in the creation of over 5,000 new jobs and benefited 10,000 small-scale hand-line fishermen. While catch remained more or less static between 1996 and 2001, the value of processed products increased dramatically due in large part to GEM assistance.

Realizing that about 100,000 predominantly Muslim families in Western Mindanao directly depend on seaweed farming for their livelihood, the GEM Program helped the seaweed industry maintain its competitiveness and increase the incomes of seaweed farmers by giving them access to new technology and to more profitable markets. GEM helped create a regional association of producers, traders and processors, and establish the first local seaweed processing plant and improved market access. Equally important were successful efforts to increase industry, academic, donor and government contributions to sustain competitiveness and address emerging industry issues. GEM attracted PhP17 million in donor-funding for training programs, research and development, seaweed propagation facilities, and post-harvest and drying facilities.

Shipments of high quality vegetables out of Mindanao increased dramatically due to GEM assistance. Vegetable growers were taught how to use cold and cool chain systems – which utilize nestable plastic crates and refrigerated vans – to improve post-harvest handling and shipment of temperate vegetables from Mindanao. GEM also helped organize two producer associations, one in Northern Mindanao and another in Southern Mindanao, through which it provided training, extension services, market linkage, institutional networking and capability building support. GEM assisted these producer associations in producing buyer and production

guides, conducting buyer-producer congresses, and setting up seed caravans and demo farms that introduced new seed varieties and production technology.

Support to Trade and Investment in Mindanao

From its inception, the GEM program focused on attracting more private sector investment in Mindanao to help create additional employment. New investment financed the establishment of processing facilities that add value to Mindanao agricultural and fisheries products, helped put in place key elements of the supply and marketing chain, and led to the establishment and expansion of numerous secondary industries.

GEM staff worked closely with potential investors to acquaint them with the favorable Mindanao business climate, and to help them identify prospective sites, reliable local partners, financial sources and potential markets. For food processors and others needing a reliable supply of raw materials, GEM identified qualified groups of growers, linked them with processors, and provided the technology and technical training required for the growers to meet buyer specifications.

Notwithstanding the unfavorable investment climate starting in 1998, GEM accomplished significant results, particularly in terms of generating investments and jobs in agribusiness and small enterprises. Overall, GEM helped investors and buyers successfully initiate 343 investments or transactions in Mindanao valued at US\$441 million. These include 84 key agribusiness enterprises, 37 non-agribusiness enterprises, and 18 telecommunications projects. According to assessments, these investments generated 40,000 direct jobs (salaried and wage employees) and 37,000 indirect jobs (workers in ancillary industries).

Not taken into account are the investments and jobs resulting from the expansion or replication of GEM-assisted investments, promotion activities throughout Mindanao and the region, trade and investment missions, and meetings between potential investors.

Some GEM-assisted investments, particularly in the passenger transport business, stopped operations partly due to the Asian financial crisis. However, while in operation, they provided essential services and created jobs.

Support to Business Support Organizations

The GEM Program sought to create and strengthen business support organizations (BSOs) – chambers of commerce, trade and producer associations—that would be capable of providing essential services to the businesses they represent, advocating for important policy changes, and driving economic growth in their individual industry sectors. The Program made considerable progress in strengthening 26 Mindanao BSOs that represent over 80,000 firms, workers, farmers and fisherfolk. In 2001, membership of GEM-assisted BSOs increased by 70%.

The GEM Program worked closely with BSOs to make their members aware of business opportunities. The Program supported the conduct of workshops and conferences at which information on new markets and technologies was disseminated. GEM also prepared and

distributed information on opportunities arising from new or expanded markets, new technologies, improved trade policies, and a better business environment. GEM's assistance enabled key BSOs in Mindanao to build their capacity in the areas of financial and project planning, revenue generation, service delivery, communications, governance, and strategic linkages. Assistance was also provided to efforts to increase membership and outreach to their members.

GEM's primary BSO counterpart was the Mindanao Business Council (MBC). With GEM support, MBC expanded its organization of chambers to include producer associations and business organizations with significant Muslim membership (three Muslims now sit on MBC's 15-member board). MBC has been established as the leading advocate for policy change to improve the business environment in Mindanao, with a particular focus on reducing the cost of doing business in Mindanao, and transparency and good governance. MBC is now recognized nationally as an effective advocate for the private sector and as a catalyst for economic development in the region.

GEM's early assistance to farmers and fisherfolk focused on individual firms and cooperatives. In the second year, the Program began to focus on strategic agricultural and aquaculture sectors in an effort to increase program impact. Since there were few producer associations to work with, GEM helped to create them. The eight new producer associations created with Program assistance represent the fishing, fruit, agroforestry, seaweed, peanuts, vegetables and mango industries. Examples of particularly important producer associations are the SOCKSARGEN Federation of Fishing Associations and Allied Industries, Inc. (SFFAII) and the Western Mindanao Seaweed Industry Development Foundation, Inc. (WMIDFI).

SFFAII is composed of eight associations that represent approximately 40,000 mostly small- and medium-scale fisherfolk and employees belonging to 73 cooperatives, fish processors and canners, and larger commercial fishing enterprises. The Federation focused on key industry concerns and successfully influenced government fisheries policies to support sustainable fishing practices, and to increase value added of fish landed in General Santos City. GEM also assisted the participation of the Federation in international discussions on sustainable management of the fisheries resources in the Central and Western Pacific and the signing of an Indonesian-Philippine Fisheries Management Cooperation Agreement.

GEM helped seaweed farmer organizations federate into the WMSIDFI, which represents seaweed farmers in Western Mindanao and the Sulu Archipelago. The Foundation is composed of seaweed farmer associations and cooperatives, traders, exporters and processors. It has improved the sustainability, profitability and competitiveness of the Western Mindanao seaweed industry and, consequently, the incomes of 100,000 poor, mostly Muslim, seaweed farming families. GEM helped establish the first seaweed processing plant in Western Mindanao and helped the Foundation mobilize resources from the Philippine Government and international donors to support the development of the seaweed industry. Also, to help address seaweed disease problems, assistance was provided to bring research activities from Philippine universities into the area and to obtain national government resources for the development of a laboratory.

In conflict-affected areas, GEM helped create four business support organizations (ARMM Business Council, Muslim Chamber of Kutawato, Basilan Island Chamber, Metro Cotabatto Chamber) and revitalized five existing chambers (Chambers of Commerce of Sulu, Tawi-Tawi, Marawi, Maguindanao and the Muslim Business Forum). All of these organizations and chambers have a substantial membership of Muslim-owned businesses. GEM and MBC collaboration enabled the Muslim business support organizations to actively participate in mainstream Mindanao business and policy modification activities. The Muslim Business Forum was the first chamber member of MBC with a majority Muslim membership and has a seat on the MBC Board and management committee.

Support to Mindanao's Infrastructure Development

GEM directed its infrastructure development assistance at gaining substantial increases in budgetary outlays for infrastructure projects in Mindanao; accelerating implementation of important infrastructure projects; and helping communities in conflict-affected areas to access donor and government funding for small rural infrastructure facilities.

In the 1980s and early 1990s, Mindanao's share of the GOP's infrastructure budget was approximately 11 percent. GEM collaborated with MEDCo, OPMIn, MLA and MBC and other business organizations to work for an increased infrastructure budget. As a result, Mindanao's share increased to 27 percent by 2002. The President of the Philippines has committed to increase the share to over 30 percent within the next two years. There has been a major expansion of basic infrastructure in Mindanao. For instance, over 80 percent of the arterial highway network is in place or under construction. This is a substantial improvement over the 1995 level of 44 percent.

A significant GEM contribution was the design of the Infrastructure Monitoring and Advisory Group (IMAG), an effective mechanism to increase direct participation of local government units and business representatives in expediting infrastructure project implementation and in resolving project-related issues. GEM worked with MEDCo to establish the first IMAG for the Davao-Digos-General Santos Road project in 1996, which triggered the creation of 14 more IMAGs that provided a useful forum for solving problems. These efforts effectively helped minimize many project delays. In 2002, IMAGs were created to accelerate infrastructure projects in ARMM. GEM also helped MEDCo design the Mindanao-wide infrastructure task force for water transport. MEDCo established additional task forces for arterial roads, telecommunications, and watershed and irrigation. Technical working groups within each of these task forces identified infrastructure projects, prioritized them, and lobbied for public funding.

GEM helped donors, government agencies and private investors initiate 151 infrastructure projects valued at US\$145 million. GEM provided technical assistance that led to the construction of six significant government and donor-assisted infrastructure projects valued at US\$144 million. One of these was the Mindanao Container Terminal Port, the first international standard container port in Mindanao. For this project, GEM helped conceptualize the project, provided data for the feasibility study, and worked with local business leaders to promote the

project. Three additional infrastructure projects—valued at US\$ 109 million—were also successfully developed with Program assistance, leading to firm donor funding commitments.

GEM leveraged its technical assistance to access funding from the GOP and other donors for 140 small infrastructure projects in conflict-affected areas. These included 45 World Bank and OPEC-funded SZOPAD Social Fund projects, eight bilateral donor grants, 20 USAID grants for post-harvest facilities and equipment, and 67 shallow tube well irrigation projects administered by the National Irrigation Administration. The total investment in community infrastructure projects is relatively small. However, the value to communities in conflict-affected areas, through increased productivity and as an important symbol of peace and development, is great.

GEM helped major telephone service providers meet their service commitments to the government and encouraged them to introduce telecommunications services in more remote areas. Installation of 600,000 total telephone lines in Mindanao by 2001 exceeded the initial targets established under the National Telecommunications Plan (NTP). By way of contrast, only 180,000 total telephone lines were in place in 1996. Cellular phone services also increased substantially. GEM also helped facilitate the establishment of a number of small municipal and provincial phone services and public calling offices (PCOs) or call stations, thus providing basic telephone services in rural areas.

Support to BSOs for Policy Modification Activities

The GEM Program aimed to help BSOs in their efforts to promote a policy environment conducive to private sector business development in Mindanao. GEM supported their policy modification activities that sought to (a) reduce the cost of doing business in Mindanao; (b) improve efficiency in the use and allocation of resources; and (c) establish an economic foundation for sustainable peace in the island.

A policy reform agenda was developed by business organizations and business leaders in Mindanao. The focus of this policy agenda was to increase the infrastructure budget, improve the efficiency of shipping and reduce port-related costs, increase support for use of biotechnology, promote transparency and good governance, and in general, increase the competitiveness of Mindanao's agriculture, aquaculture and fisheries sectors by reducing the cost of doing business.

To pursue these objectives, GEM worked closely with MEDCo and BSOs in preparing over 130 policy research studies, policy briefs and position papers. GEM helped advocacy partners prepare business conference "resolutions" (which would be presented to the President of the Philippines) requesting specific necessary policy changes. Program staff also helped prepare policy memos, speeches and presentation materials at the request of government officials and private sector advocates of Mindanao development.

The most important policy successes were in the areas of infrastructure, shipping, fishing, agri-forestry, biotechnology, and transparency and good governance. GEM helped government and business support organization partners obtain a significant increase in Mindanao's share of the national infrastructure budget. Substantial progress was also achieved in addressing

competitiveness in shipping and port operations. GEM helped its partners convince the President of the Philippines to become an active advocate and champion for efforts to reduce the cost of shipping and port handling services. Similarly, the President has become an active partner for policy change to assure the sustainability of the fishing industry by increasing competitiveness and reducing resource depletion. As part of this effort, GEM helped GOP officials and industry leaders to enter into multilateral and bilateral agreements to help manage and sustain resources while providing increased access to selected fishing grounds. GEM's support of two agri-forestry BSOs contributed to the designation of Caraga as a "Timber Corridor" and to the deregulated transport of trees produced on private lands in this region. GEM also supported business-led activities that furthered transparency and good governance, including two forums organized by MBC to address private sector concerns.

GEM helped build a strong Mindanao policy advocacy network by assisting institutions that worked for necessary policy change, forged alliances with other interest groups and policy-makers who shared the same agenda, and conducted studies and disseminated the results in workshops and conferences. MBC and MEDCo were the lead coordinating bodies, with other BSOs regularly proposing policy reforms to the national government.

Support to Mindanao's Muslim Communities

Beginning in late 1997, assistance was provided to former MNLF combatants through the Livelihood Enhancement and Peace (LEAP) Program, a sub-program of GEM. Originally called the Emergency Livelihood Assistance Program (ELAP), the name was changed to LEAP when additional funds were allocated in 2001. The goal of the LEAP Program was to assist former MNLF combatants, many of whom had no means of providing for their families, in initiating "commercial level" production of a commodity suitable for their areas. Initial commodities introduced were corn and seaweed. The Program provided production inputs, training, technical support and marketing assistance. Production inputs in the first year of the Program were funded by USAID's Office of Transition Initiatives.

An assessment conducted after the first phase of LEAP in 1999 showed that of the first 4,000 participants over 90% were able to maintain their farming operations. With this success, the program was further expanded to reach 13,000 beneficiaries, and diversified to support additional crops and aquaculture.

In late 2000, Mindanao State University undertook an assessment survey. The survey showed that the most significant strengths of LEAP were its responsiveness to the needs of participants, and the uncomplicated approach taken to project implementation, which focused on simple, fast growing crops with ready markets. Further, the program provided inputs for only a brief period, after which participants "graduated," ready to operate on their own. About 90% of program graduates continued to produce LEAP-introduced crops, over 50% increased their production area, and over 37% of assisted groups were able to start new enterprises using "LEAP profits."

Success was due primarily to the hands-on-nature of the assistance and the high degree of acceptance by the MNLF beneficiaries. LEAP was widely recognized for contributing to peace in the areas where it was operating. The GEM and LEAP Programs secured about US\$1 million

in training, production inputs, equipment, and post-harvest facilities through partnerships with various private firms, government agencies, and other donors. When fighting erupted in nearby areas in the year 2000, most LEAP communities remained peaceful because beneficiaries asked combatants to stay away from their farms. Due to its success, the program was extended in December 2001, under the USAID SWIFT IQC, to provide assistance to an additional 9,000 former MNLF combatants.

GEM assistance to conflict-affected areas attracted increased support from the GOP and donors, and private investment. In all, GEM assistance led to 140 donor and GOP-funded small rural infrastructure projects and 160 transactions and investments in these areas. In terms of institutional strengthening in conflict-affected areas, GEM helped create four business organizations and revitalized five existing Chambers, all of which have a substantial membership of Muslim-owned businesses.

Communications Support

GEM communication activities promoted increased trade and investment in Mindanao through a comprehensive information campaign, and directly supported all other program areas, (agribusiness development, infrastructure development, policy modification assistance, and institutional strengthening). The importance of this support to the overall success of the Program can not be overemphasized.

Activities focused on positioning Mindanao as an attractive trade and investment destination, supporting advocacy efforts centered on the promotion of peace and development, countering negative perceptions of Mindanao, and informing potential buyers of products available in Mindanao.

To accomplish these goals, GEM drew on a wide range of communication tools, including: (a) multi-media placement of “success stories” and press releases; (b) special media events, such as press conferences, media briefings, familiarization tours and workshops for business journalists; (c) promotional materials such as brochures, posters, videos, CD-ROMs, maps, and a website; and (d) production training materials, and producer and buyers guides used and sold by producer organizations.

As intended, GEM’s comprehensive media relations campaign contributed to increased trade and investment in Mindanao. GEM placed 5,371 news stories and feature articles in Manila-based national dailies, 1,529 in Mindanao-based newspapers, and 30 in international publications. These articles attracted investors like Phillips Seafood, who, after reading a positive report in an American trade journal, set up its tuna processing factory in General Santos City. Similarly, GEM’s marketing efforts, which included the publication of buyer information guides, resulted in increased sales of Mindanao fruits and vegetables.

GEM garnered two Merit Gold Quill Awards in 1999 and 2002 from the prestigious International Association of Business Communicators. For the past 25 years, the IABC Gold Quill program has been the hallmark of excellence in business and communication.

Working with Other Donors and USAID Projects

GEM's mutually beneficial working relationship with donors and other partners enabled it to access additional resources to support its programs and objectives. In return, GEM, when asked, helped initiate donor activities, particularly in conflict-affected areas, using its local networks, knowledge, and ability to quickly identify reliable partners in local communities.

GEM helped other donors and GOP line agencies implement 140 small post-harvest infrastructure projects in conflict-affected areas. GEM worked with communities to help them prepare funding proposals that were tailored to specific donor initiatives. GEM also worked with LGUs and agencies in Mindanao to accelerate implementation of delayed donor infrastructure programs, and worked in similar ways to access support from private firms (especially in LEAP). These approaches allowed GEM resources to be leveraged in a successful and strategic way.

GEM worked closely with other USAID projects focused on transparency and governance, BOT project implementation, environmental management, and rural banking. GEM helped identify reliable partners and effective advocacy networks, and provided communications support.

OBSERVATIONS AND LESSONS LEARNED

In the course of GEM implementation, there were observations and “lessons learned” that would be relevant to other poverty alleviation, enterprise development, policy reform and post-conflict assistance programs.

Be catalytic. GEM helped government and business organizations identify and implement strategic programs and activities on their own. This catalytic approach enabled the Program to leverage its resources and assist a large number of clients.

Be flexible. GEM was designed to allow shifts in priorities to respond to changes in the working environment and to take advantage of “targets of opportunity.” The GEM Special Activity Fund enabled the Program to respond quickly and flexibly to emerging Program requirements.

Adopt a multi-disciplinary approach. GEM's approach to poverty alleviation successfully integrated support for enterprise development, infrastructure development, policy modification, and institutional strengthening, and incorporated an effective communications program to support the multi-disciplinary activities.

Focus on private-sector-led development. GEM directed about 90% of its assistance to private firms, farmers, fisherfolk and business organizations, not to government organizations. This approach focused resources where they could be most effectively used and insulated the Program, to a degree, from disruptive changes in the focus of government initiatives that often occurred with elections.

Focus on “outputs” rather than “inputs.” Specific targets delineated in the GEM contract kept the Program and its staff focused on significant, measurable results.

Focus on Chambers and Producer organizations. It is not efficient, nor effective to assist one firm or farmer at a time. Working with producer associations and Chambers that represent strategic economic sectors is an effective means of reaching a large number of proponents.

Pursue market-driven agribusiness development. Market-led agribusiness development can work, but supply-driven projects usually do not. Investment and transaction assistance should start with the identification of specific markets, and only then should assistance be provided to firms or cooperatives to develop the capability to access these markets.

Link small businesses and producers to bigger firms. Larger, transformational investment can act as a nucleus for the establishment or strengthening of SMEs. By linking SMEs, farmers and fisherfolk with consolidators, buyers, and large firms (through subcontracting and similar arrangements), small businesses and producers are given access to technology, markets and other resources that they may not be able to generate internally.

Have a strong field presence. It is important to establish field offices or place staff in organizations in the field. Staff members need to be sensitive to local political and cultural dynamics, and knowledgeable of local networks, opportunities, and constraints in the area.

Perception is reality. Potential investors look for positive environments for business activity. In choosing a location, they want to see that adequate infrastructure, such as transport facilities and communications systems, is in place. They want contracts and government procedures to be effectively and consistently implemented, and appreciate it when local government units make them feel welcome. Perhaps most importantly, investors will take into account security considerations and the overall quality of life when selecting a location.

Address beneficiaries' needs directly. In 2000, an assessment survey of assistance to former MNLF combatants found that the most significant strengths of the Program were its responsiveness to the needs of participants (they needed capital and technology and that was what was provided), and the uncomplicated approach taken to project implementation, which focused on simple crops with ready markets. Further, GEM provided inputs only for a brief period, after which participants "graduated." All participants knew this and, therefore, the responsibility of the beneficiary to work for success was clear.

Forge partnerships. An important success factor in GEM implementation was the wide range of partnerships forged with local and national government agencies, donors, NGOs and private firms. These partnerships with other donors and firms allowed GEM to substantially leverage program resources.

Mount an effective communications program. One of the greatest assets in realizing the goals of the GEM Program was the presence of a communications unit which effectively promoted the objectives of GEM's infrastructure, policy and enterprise development initiatives and played a significant role in helping counter the adverse impressions of Mindanao fostered by domestic and international news.

CONCLUSION

The GEM Program exceeded its targets for the number of former MNLF combatants initiating or expanding agricultural or aquaculture production, farmers and fisherfolk accessing more lucrative markets, and BSOs functioning effectively. Infrastructure development in Mindanao has been dramatically accelerated, and policy reform is being aggressively and successfully pursued by Mindanao business organizations and being listened to and acted upon at the national level.

Despite the deterioration in the business environment in Mindanao, GEM was able to help investors, SMEs, producer organizations and buyers successfully implement 343 private sector investments or transactions valued at US\$441 million. Together with public and donor public infrastructure investment, the total value of investment facilitated was US\$597 million. These investments generated at least 40,000 direct jobs and 37,000 indirect jobs, and significantly improved the incomes of over 56,000 farmers and fisherfolk and about 13,000 former MNLF combatants.

Perhaps the most significant result of the GEM program came from the strong support it gave to former MNLF combatants, farmers, fisherfolk, and business organizations in conflict-affected areas. This support created an environment that helped sustain peace in beneficiary communities when fighting erupted in Central and Western Mindanao. GEM's contribution to peace and development in the region has been recognized by the President of the Philippines, business leaders, and by the leadership of the ARMM and MNLF.

Chapter 1

The Growth with Equity in Mindanao (GEM) Program: An Introduction

1.0 Background

Mindanao is the Philippines' second largest island, with 34% of the country's land mass and 25% of its population, but it has always lagged behind the rest of the country economically despite its size and potential for growth. Through the decades, Mindanao had little to show for its comparative advantage in agro-enterprise development brought about by ideal climatic and soil conditions, vast natural resources, and a manageable population density.

The problem is largely historical. Muslim Mindanao was able to resist Spain's attempts at conquest starting in the 16th century, even as the rest of the archipelago was Christianized. At the start of the 20th century, the Americans succeeded in incorporating Mindanao and the Sulu Archipelago politically into the rest of the Philippines, leading to a massive emigration to Mindanao from the populous Luzon and Visayas islands. By the turn of the 21st century, the island's 90% Muslim majority had dwindled to just 18%. Tensions between the earlier inhabitants and the new Christian settlers worsened as the population grew, eventually exploding into a violent struggle. This violence, coupled with and under investment in public infrastructure and an unsupportive policy environment, made Mindanao an unattractive location for private investment.

Domestic production and income levels stayed well below the national average, and so did other quality of life indicators. Sixteen of the 23 poorest provinces of the Philippines are in Mindanao and half the people on the island live below the poverty line. While Mindanao was a major supplier of food and mineral products, most of these left the island as raw materials to be processed into higher value products elsewhere. Mindanao accounted for only 14% of the country's total manufacturing output, and 11% of exports. Nearly three decades of conflict between Muslim rebel groups and the Armed Forces of the Philippines practically sealed the avenues for growth and development.

The 1990s ushered in a new environment that signaled the start of the island's economic turnaround. The national government shifted to more market-oriented and deregulated national policies, and increased the budget allocation for improving the island's physical and social infrastructure. A vast improvement in the peace and order situation was brought about by the government's efforts to resolve the Muslim-Christian conflict. The Autonomous Region in Muslim Mindanao (ARMM) was created in August 1989 to allow Muslims to govern themselves at the regional level.¹ Thereafter, peace and development efforts were intensified. The confluence of these positive developments created a more viable investment environment in the island.

The United States Agency for International Development (USAID) played a key role in launching Mindanao's growth in the early 1990s. It mounted major assistance efforts initially

¹ The ARMM initially included the four provinces of Maguindanao, Lanao del Sur, Sulu and Tawi-Tawi, with a total population of about 2.25 million, over 90% of which are Muslim. In September 2000, the City of Marawi and Province of Basilan voted in a plebiscite to join the ARMM, increasing the regional population to over 2.7 million.

focused on SOCSARGEN (South Cotabato and Sarangani Provinces, and General Santos City) in partnership with the Philippine Government under the Mindanao Development Program (MDP). The SOCSARGEN project succeeded in addressing the region's infrastructure deficiencies, promoting and facilitating new and expanded enterprises, assisting food producers and small entrepreneurs to access more lucrative markets, upgrading local capabilities to soften the environmental impact of increasing economic activity, and strengthening local government capability to develop and maintain an appropriate business environment.

The success in SOCSARGEN spurred USAID to expand in 1995 its assistance efforts to cover all of Mindanao and the Sulu Archipelago. Its principal vehicle was the Growth with Equity in Mindanao (GEM) Program, which was launched in October 1995. With the signing of the peace agreement between the Government of the Philippines (GOP) and the Moro National Liberation Front (MNLF) in 1996, the efforts were intensified in the region's conflict-affected areas (See **Annex 1-A** for the GEM Scope of Work).

The peace agreement called for the establishment of a Special Zone of Peace and Development (SZOPAD), made up of provinces and cities with significant Muslim populations (See **Figure 1-1**). These include the following:

<i>Provinces</i>		<i>Cities</i>	
Lanao del Norte	North Cotabato	General Santos City	Iligan City
Lanao del Sur	Maguindanao	Zamboanga City	Marawi City
Zamboanga del Norte	Sultan Kudarat	Dipolog City	
Zamboanga del Sur	South Cotabato	Dapitan City	
Basilan	Davao Sur	Pagadian City	
Tawi-Tawi	Sarangani	Cotabato City	

The agreement committed large amounts of government resources to be concentrated in the SZOPAD for an extended period in order to help the region attain the level of economic prosperity enjoyed by other areas in Mindanao. To help oversee this special effort, the GOP created the Southern Philippines Council for Peace and Development (SPCPD), headed by the chairman of the MNLF. All senior positions in the SPCPD were held by MNLF officials.

In support of the peace agreement, USAID initiated the Emergency Livelihood Assistance Program (ELAP) in August 1997 to provide assistance to (still armed) former MNLF combatants not integrated into the Armed Forces of the Philippines and Philippine National Police so that they could make the transition from guerilla fighters to productive and peaceful farmers. ELAP provided MNLF beneficiaries with all the production inputs and technical assistance they required to initiate or substantially expand "commercial level" production of selected commodities (i.e., hybrid corn, rice, seaweed, and cultured fish). To facilitate the provision of assistance to target beneficiaries, ELAP used the GEM Program network and linkages.

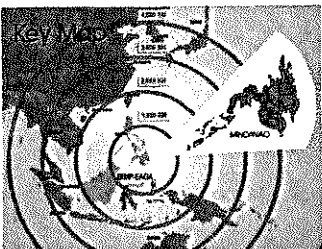




Figure 1-1

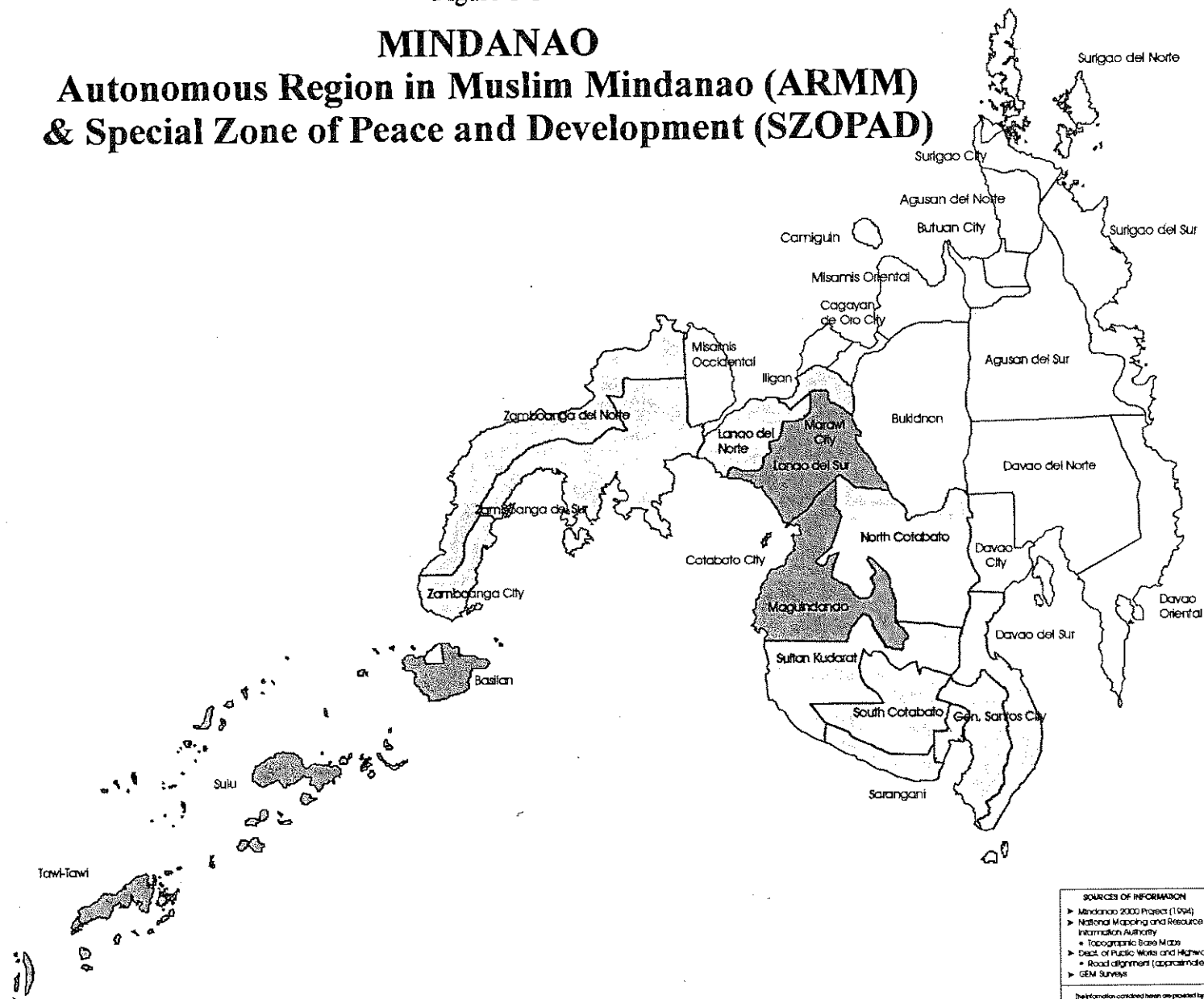
MINDANAO **Autonomous Region in Muslim Mindanao (ARMM)** **& Special Zone of Peace and Development (SZOPAD)**

LEGEND

 **ARMM**

 **SZOPAD**

*ARMM was included in the SZOPAD



SOURCES OF INFORMATION

- Mindanao 2000 Project (1994)
- National Mapping and Resource Information Authority
- Topographic Base Maps
- Dept. of Public Works and Highways
- Road alignment (approximate)
- GEM Surveys

The information contained herein are posted by the Government of the Philippines and do not necessarily reflect the views of USAID

** In September 2000, the City of Marawi and Province of Basilan voted in a plebiscite to join the ARMM.*

In September 1997, USAID signed a Memorandum of Understanding with the SPCPD which outlined a new program of support focused on the SZOPAD. Named the SZOPAD Accelerated Enterprise Development (SZAED) Program, it was designed to help accelerate economic progress in the area, ensure that Muslim communities would participate in and benefit from Mindanao's economic growth, and thereby help assure that peace in the area was maintained. In August 1998,

the GEM Program contract was amended to incorporate the new SZAED component² (See **Annex 1-B** for the SZAED Scope of Work).

The SZAED program of activities was aimed at intensifying enterprise and agribusiness development in the SZOPAD, emphasizing impact in the ARMM. Together with ELAP, this program was deemed crucial to the attainment of economic targets and the maintenance of peace between Muslims and Christians in Mindanao. **Annex 1-C** presents the SZAED Final Report Executive Summary.

In September 2000, USAID approved another amendment to the GEM contract, providing additional funds to expand and refocus specific components of the Program. The two-year extension to the Program placed priority on strengthening the Mindanao Business Council and other key business support organizations in Mindanao, and improving the supply and marketing chain for selected high value commodities.

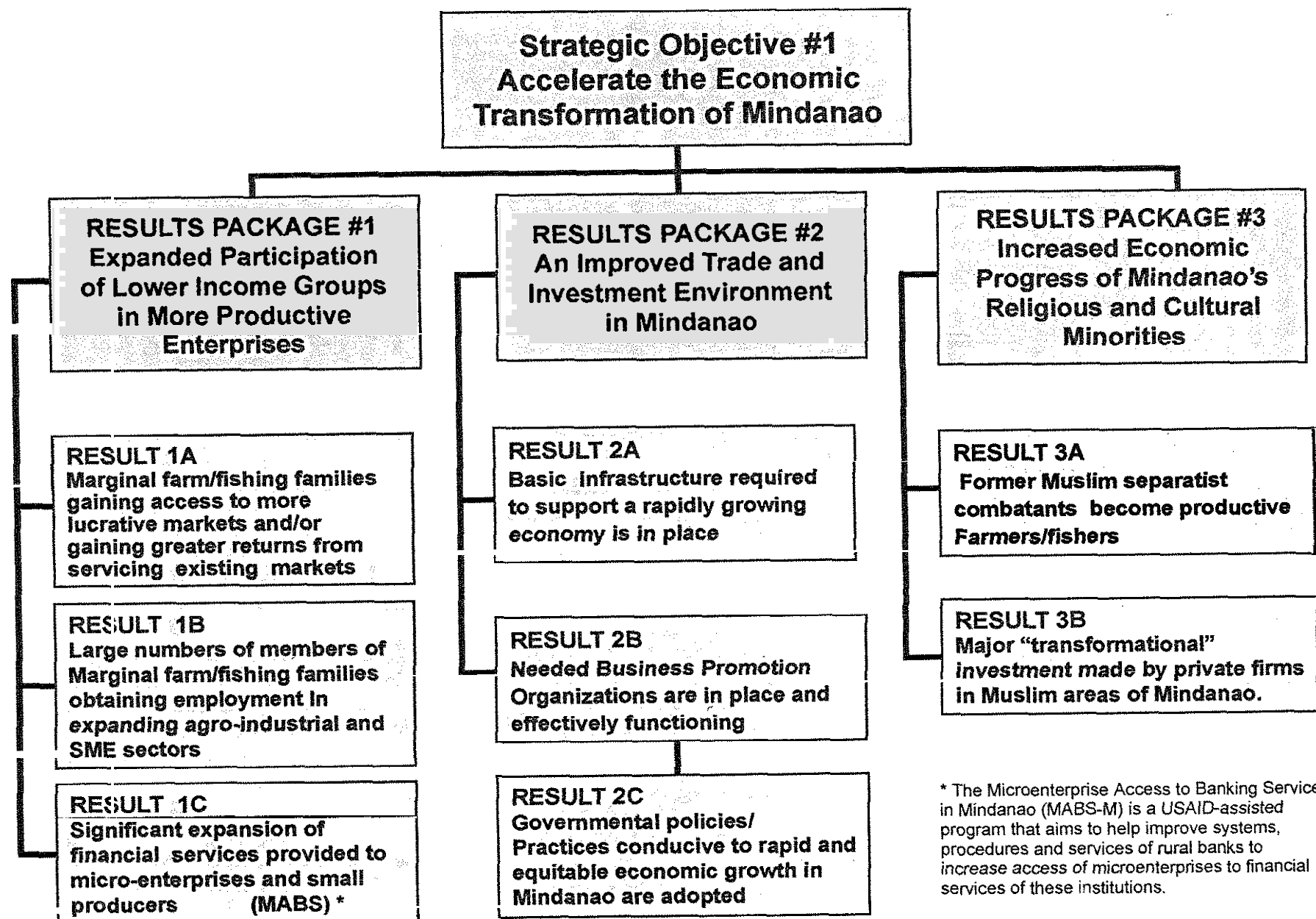
1.1 Program Objectives

The GEM Program's overriding objective was to accelerate economic growth in Mindanao and ensure that this growth would benefit as many people as possible in the targeted areas. Special emphasis was given to spurring economic development in conflict-affected areas. To achieve this, GEM provided technical assistance in enterprise development, infrastructure development, and policy modification. As illustrated in **Figure 1-2**, Program implementation was oriented towards:

- Expanding the participation of lower income groups (e.g., marginal farm/fishing families, small producer groups) in more productive enterprises by helping them gain access to more lucrative markets, increasing their returns from existing markets, and gaining employment in expanded agro-industrial sectors;
- Improving the trade and investment environment in Mindanao by facilitating the establishment of essential infrastructure, helping the Mindanao community advocate for government policies and practices conducive to economic growth, and strengthening business promotion organizations; and
- Accelerating the economic progress of religious and cultural minorities by increasing their participation in productive farm/fishing activities and facilitating major private investments in Muslim areas.

² The contract amendment had an effectivity date of April 1998.

Figure 1-2



The attainment of these objectives was indicated by certain quantitative measures of performance that were set as targets for Program implementation. These include the increase in volume and value of high value products coming out of Mindanao, amount of new investments facilitated, number of beneficiaries, employment generated, improvement in incomes of target beneficiaries, number of beneficiaries adopting improved technologies, and policy reforms achieved, among others.

1.1.1 Enterprise Development

Accelerating enterprise development required a range of Program activities, including the following:

- **Investor Support** – GEM helped make new investors aware of how the involvement of small and medium businesses and agricultural producers’ associations can benefit their business development efforts. GEM assistance ranged from providing information and referrals to business-matching, joint venture brokering, and financial packaging.
- **Farmer/Fisherfolk Linkages** – GEM helped organize farmers and fisherfolk and prepared them to meet the requirements of agribusiness investors. The assistance included market linkages, sourcing of funding to improve production practices or introduce new products, preparation of feasibility studies and business plans, and arrangement of production and technology training, usually with the help of institutions such as government agencies, NGOs and universities.
- **Producer Associations Support** – Assistance was provided to farmer and fisherfolk groups, associations and cooperatives to make their members aware of new opportunities presented by changes in technology, market imperatives, and government policy; and how they can take advantage of all these. Inputs were made available by way of GEM-assisted conferences and workshops, relevant publications, and technical experts who can interact with the associations.
- **Small/Medium Enterprise Participation** – To encourage the full participation of the local business community in enterprise development, GEM identified priority sectors and projects suitable for investment and guided them through the steps necessary to undertake the projects; aggressively promoted joint ventures and other beneficial business arrangements between local small and medium enterprises (SMEs) and new investors; and worked with the Mindanao Business Council (MBC) and chambers of commerce in the region to help key industries and industrial sectors upgrade their products, adopt more efficient production methods, and diversify into new product lines.
- **Investment Facilitation** – GEM supported organizations in the targeted areas who wanted to attract and negotiate additional investments by helping with promotional materials, conferences and seminars, communications and public relations campaigns, and the deployment of investment promotion teams.

GEM targeted increased prosperity for approximately 70,000 small farmers and fishermen; opportunities for approximately 400 local SMEs to participate in joint ventures or other business arrangements with investors; at least PhP500 billion in new investments, outside of what could be anticipated in the absence of GEM efforts; and net generation of 40,000-70,000 new jobs by the end of the Program implementation period.

1.1.2 Policy Modification Assistance

Macroeconomic policies adopted by the national government have a profound impact on the people of Mindanao. Among these policies are those on budget allocation, tariff, transport, financial, agricultural and fishing. GEM supported the efforts of the Mindanao community to bring about changes in policies and practices that negatively impact on Mindanao's economy, coordinating closely with private and public sector stakeholder groups, as well as similar initiatives under other USAID and other donor projects.

The program target output was 15-20 key policies to be analyzed and, where appropriate, action to be taken by way of recommending modifications or facilitating the adoption of more desirable policies and practices.

1.1.3 Infrastructure Planning, Packaging and Promotion

To sustain Mindanao's economic progress, it was important that the essential support infrastructure be put in place. This required that the island continued to receive more of the government's infrastructure resources; that local government units (LGUs) developed the capability to identify and prioritize infrastructure requirements and work on the implementation of the projects; that build-operate-transfer (BOT)-type financing mechanisms were used whenever feasible; and that projects were completed with minimal delays.

To achieve these, GEM was to produce the following deliverables:

- Periodic reports to the Office of Presidential Assistant for Mindanao (OPAMIN) on major infrastructure projects that summarized the status, identified problems, and suggested appropriate interventions.
- Periodic, prioritized listings of additional projects whose construction would accelerate economic growth. GEM was to help package and prepare for funding 5-10 infrastructure projects identified as the most deserving of government financing.
- Periodic reports identifying projects most suited for BOT-financing, and working with the Coordinating Council for the Philippine Assistance Program (CCPAP) and the implementing agencies to have these projects financed and implemented. Five projects were targeted, at least one each in the highways, water systems, and airport/seaport sectors.
- Significantly enhanced capabilities of LGUs in targeted areas to prioritize, plan, obtain financing for, and implement infrastructure projects. At least one such project in each area was to be undertaken and financed by an LGU with GEM support.

1.1.4 Institutional Strengthening

In 2000, USAID approved a substantial intensification of the assistance it was providing in three key areas under GEM: support to the MBC, the Business Support Organization (BSO) development program, and the Targeted Commodities Expansion Program (TCEP). It was believed that strengthening these organizations assured the continuation of key GEM services to Mindanao. This would likewise expand the support for the island's Muslim community which, in turn, would help maintain peace between the Muslim community and the Philippine Government.

1.2 The GEM Approach

To achieve its objectives and target deliverables, GEM was designed to play a strategic, catalytic, and focused role in helping accelerate development in Mindanao.

GEM primarily served as a catalyst. As a partnership between the Philippine Government and USAID, the Program was designed to catalyze grassroots capability and productivity, infrastructure development, policy modification, business support activity, linkages and interaction that lead to economic activity, and most significantly, Muslim participation in all these activities. GEM assumed a supportive role, providing technical assistance and helping various local organizations do enterprise, infrastructure, and policy-related activities in Mindanao.

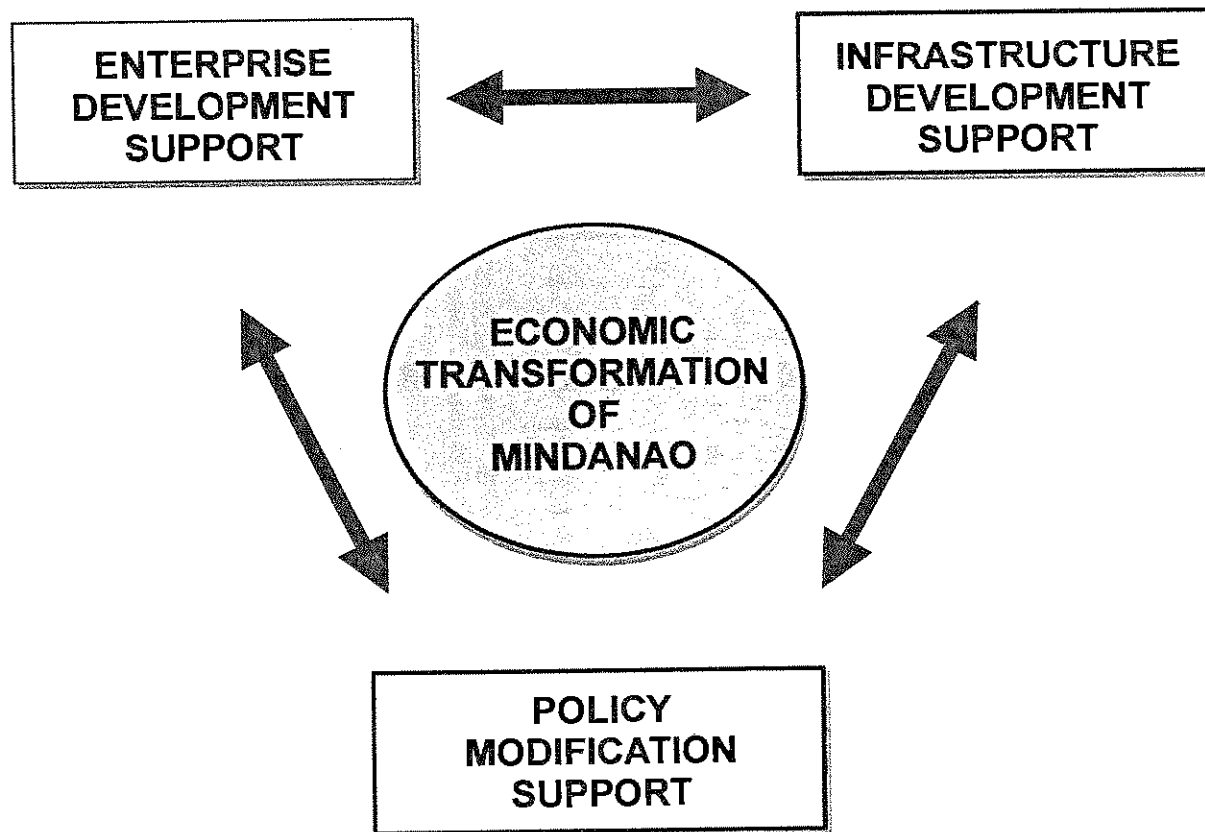
GEM used a multi-disciplinary approach to program implementation. It provided technical assistance in enterprise development, infrastructure development, and policy modification, with each of these three key components sharing about 70%, 15% and 15% of overall GEM resources, respectively. In every instance, however, Program assistance focused on how these components complemented each other for optimum results (See **Figure 1-3**). Working with BSOs, GEM helped facilitate the development of enterprises that would generate jobs and improve incomes of farmers and fisherfolk. The same BSOs were supported in mobilizing the business community and other stakeholders in advocating for an enabling policy environment for investment and business development in Mindanao, as well as for putting in place more efficient and effective infrastructure supporting business development.

GEM was transaction-focused. It provided limited “deal-specific” technical assistance that resulted in the facilitation of business transactions and investments between and among small, medium and large enterprises. Whatever the size of the investment, however, participation of significant numbers of farmers, fisherfolk and small producers was a key objective.

GEM also focused on targets of opportunity. It concentrated on activities that would create the greatest impact on as many beneficiaries as possible. It leveraged program resources with those of its public, private and donor partners. A close working relationship was forged with BSOs, local and national government agencies, non-government organizations (NGOs), SMEs, financial institutions, donor agencies, and other entities sharing the same objective. GEM also provided services supportive of other USAID projects that were intended to strengthen the government's capability to implement economic development programs in the region.

Figure 1-3

GEM's Multi-disciplinary Approach



The program was implemented with as much flexibility as necessary. GEM, in fact, modified its approach in some of its activities in response to the requirements of the changing environment in Mindanao. From a more general approach, agribusiness development and investment facilitation changed its emphasis to focus on selected commodities with ready markets and investors. When the armed conflict in the island escalated and the Asian financial crisis hit the economy, investment facilitation was de-emphasized and more emphasis was given to trade promotion. Infrastructure development efforts followed the changes in priorities resulting from availability of resources, emerging investment opportunities to be assisted by specific infrastructure projects, and shifts in government policy. Some of the original Mindanao policy agenda items were dropped in favor of more urgent issues confronting the island; some issues were refocused. In the latter part of Program implementation, GEM concentrated on strengthening local institutions to take the lead in these development efforts.

GEM maintained a Mindanao-wide presence. In addition to its headquarters in Davao City, it operated field offices in key cities of economic growth clusters of the island, namely Davao City (servicing the Davao Gulf area), General Santos City (for SOCSKSARGEN), Cotabato City (for Central Mindanao), Cagayan de Oro (for the Greater Northern Corridor), Butuan City (for Caraga), Dipolog City (for Northwestern Mindanao), and Zamboanga City (for Western Mindanao). These offices were manned by professional and administrative staff of various expertise and disciplines who provided on-site field technical assistance to GEM clients in close cooperation with its partner organizations.

1.3 Key Counterparts

When it started, the key government counterpart for the Program was the OPAMIN. When the OPAMIN was later replaced by the Office of the Presidential Assistants for Regional Concern (PARECO), GEM directly coordinated with the Office of the President through the Executive Secretary. In 2001, the Mindanao Economic Development Council (MEDCo) became the Program's key government counterpart when the MEDCo chairman became the chairman of the GEM Steering Committee. GEM worked closely with each of these offices in the planning, implementation and assessment of all activities carried out under the contract.

The MBC was GEM's key private sector counterpart. In addition, GEM worked closely with various private, government, non-government, and donor organizations. These included local chambers of commerce, BSOs, industry associations, producers' groups, local business leaders, Mindanao representatives in Congress, LGUs, national government agencies, and NGO groups. About 90% of GEM effort was devoted to working with firms, farmers and fisherfolk, and business organizations. Over time, about 60% of this effort became focused on the ARMM, conflict-affected areas, and nearby provinces.

Within USAID, overall technical direction and guidance was provided by the Office of Economic Development (OED), which later became the Office of Economic Development and Governance (OEDG). The OEDG's Economic Growth Advisor functioned as the Contract Officer's Technical Representative (COTR).

1.4 Organization of the GEM Final Report

This Report is broken down into the following chapters:

- | | |
|-------------------|--|
| <i>Chapter 1</i> | The GEM Program: An Introduction – Provides an overview of the objectives and approach of the GEM Program. |
| <i>Chapter 2</i> | The Working Environment – Provides a background on the climatic, financial, security and governance issues that prevailed during the GEM Program, and likewise their impact on program implementation. |
| <i>Chapter 3</i> | GEM Support to Farmers and Fisherfolk – Describes GEM Program achievements in helping farmers, fisherfolk and smallholder producers make a viable living for themselves and their families. |
| <i>Chapter 4</i> | GEM Assistance to Business Support Organizations – Describes GEM Program accomplishments in developing and strengthening business support organizations. |
| <i>Chapter 5</i> | GEM Support for Infrastructure Development – Describes GEM Program accomplishments in supporting infrastructure development in Mindanao. |
| <i>Chapter 6</i> | GEM Trade and Investment Services – Describes GEM Program accomplishments in bringing additional private investment and trade into and from Mindanao. |
| <i>Chapter 7</i> | GEM Support to BSOs for Policy Modification – Describes GEM Program accomplishments in helping BSOs promote a policy environment favorable to the economic development of Mindanao. |
| <i>Chapter 8</i> | GEM Assistance to Former MNLF Combatants – Describes GEM Program accomplishments in helping former MNLF combatants make a viable living for themselves and their families. |
| <i>Chapter 9</i> | GEM Communications Support – Describes the GEM Communications Program and results achieved. |
| <i>Chapter 10</i> | GEM Collaboration with Other Donors and Other USAID Projects – Describes GEM Program support to other projects working on the common goal of Mindanao development. |
| <i>Chapter 11</i> | The Special Activity Fund – Describes projects, and their results, mobilized by the GEM Program Special Activity Fund. |
| <i>Chapter 12</i> | Observations and Lessons Learned – Describes important factors crucial to success in accelerating economic activity in Mindanao. |
| <i>Chapter 13</i> | Conclusion. |

Chapter 2

The Working Environment

2.0 Introduction

GEM started its activities to accelerate the economic transformation of Mindanao under a new climate of hope, brought about by the Philippine Government's decision to focus its attention on the neglected region. The national leadership elected in 1992 implemented measures that strongly supported Mindanao development, dramatically altering the economic realities and, consequently, the public perception, of the island.

After years of under-investment in Mindanao, the Government, in 1993, began to substantially increase the budget allocation for constructing and improving the island's physical and social infrastructure. Priority was given to the upgrading of ports, airports and roads that provided more efficient farm-to-market transport. Over a five-year period in the mid-1990s, 773 kilometers of roads were paved, equal to more than half of all Mindanao road construction during the previous 17 years.

The Mindanao economy gained substantially from the government's shift from heavily regulated to more market-driven, deregulated and private sector-oriented economic policies. More airline routes to and from Mindanao were established. Growing passenger and cargo volumes were accommodated through new, faster water transport services. Telephone installations began to increase as did the availability of cellular phone services. While Mindanao functioned primarily as a supplier of raw materials to the Metro Manila and Cebu markets, a surge of investment, particularly in agro-processing, was beginning to change the economic landscape.

The most important milestone in the turnaround of Mindanao was the signing of the peace agreement between the GOP and the MNLF in September 1996. This paved the way for greater investor confidence, increased government spending for infrastructure projects and, consequently, an economy that was beginning to grow. The conflict-affected areas of Mindanao became the special focus of assistance for many international donors.

The period 1995 through early 1998 was a most opportune time for GEM operations, as the conditions were supportive of generating positive results. However, the overall environment in which the Program operated from August 1998 to September 2001 was redefined by a series of unexpected economic, political, security and climatic events that posed constraints to the accomplishment of its objectives. The events that affected not just Mindanao, but the entire country, included an Asia-wide economic crisis and a related credit squeeze, heightened conflict with a Muslim separatist movement in Mindanao, the worst incidence of El Niño in decades, and political turmoil in the Philippine capital. In response, GEM found it necessary to make adjustments to its program approach. A summary of these events follows.

2.1 El Niño

The periodic worldwide weather phenomenon known as El Niño devastated Mindanao agriculture in 1998. Brought about by changes in ocean current temperatures, El Niño dumps heavy rainfall in some areas of the world, and causes severe drought to others. The lack of rain from the severe El Niño occurrence in 1998 led to agricultural production shortfalls of up to 50 percent, compared to the previous year. Many areas experienced total crop failure. El Niño was followed in 1999 by La Niña, with its excessive rainfall, which further damaged crops in a number of areas in Mindanao.

2.2 Asian Financial Crisis

The Asian “economic miracle” was reversed by a major financial crisis that affected most of the region, starting in Bangkok in July 1997. The crisis was blamed on lack of proper financial governance, heavy investments by financial institutions in speculative real estate, and excess manufacturing capacity in most of the affected countries. Because the Philippine banking system was better regulated, with banks having less real estate exposure, the country was not as badly affected as some of the other Asian economies.

Still, the crisis had a serious impact on the economy of the entire country throughout 1998 and 1999. Credit availability was drastically curtailed, interest rates for the scarce funds that were still available for borrowing substantially rose, and most new investment plans were shelved. Small and medium scale enterprises folded, larger enterprises downsized their operations, unemployment went up, and consumer spending dropped. The drastic reduction in the value of the peso was particularly damaging to enterprises saddled with dollar debts. The major impact on the GEM Program was a big drop in Mindanao private sector investment.

As the full extent of the financial crisis unfolded, the Philippine business community experienced a severe credit crunch. Since the height of the crisis, many banks have minimized lending operations, affecting even fully secured loans. While the Philippines was growing by 20% per annum in credit availability, a major contraction set in by 1998, which continues to date.

2.3 Security

The agreement between the Government and the MNLF raised expectations that an improved environment for peace and order would prevail in Mindanao. Increasing threats to security posed by the Mindanao Islamic Liberation Front (MILF) shattered these expectations. By the late 1999 and 2000, the threats escalated into widespread, armed conflict between government and MILF forces, resulting in the extended disruption of Mindanao development activities. The situation was worsened by the assassination and kidnap-for-ransom activities of the Abu Sayyaf, a group of armed bandits operating in the Sulu Archipelago. Some of the kidnappings involved foreigners and were widely reported in the international press. This overturned the perception of Mindanao as a viable investment destination.

A summary of significant events in the deterioration of peace and order in Mindanao is presented in **Annex 2-A**.

2.4 Failure of Private and Public Sector Governance

Beginning in mid-1999, a series of high-profile political and financial scandals drew attention to the problem of graft and corruption in the country, both in the public and private sectors. The magnitude of the scandals, and the personalities involved, caused the collapse of both the stock market and the newly resurgent venture capital market. The banking sector, already weakened by the Asian financial crisis, was routed, leading to a number of closures and bank runs. The Central Bank of the Philippines closed or suspended the operations of several quasi-banking institutions that had been providing investment funds for project development. The confluence of these forces made it very difficult to obtain project financing, particularly for new enterprises.

Sustainable economic growth and development are dependent on political stability, a commitment to good governance by both the public and private sector, and the ability of government to focus on development priorities. The change of administration in early 2001 and the subsequent national and local government elections had yet to yield tangible improvements in these areas. The paralysis in public policy and development initiatives, caused by the trial of the former President and his associates, combined with severely limited government resources to retard economic growth and development in the country, including Mindanao.

One particularly troubling aspect was the lack of stability of the Philippine Peso, caused by the interplay of the abovementioned factors. As the Philippine economy needed foreign funds to support economic growth and development, it was increasingly difficult to devise business plans which had to accommodate worst-case exchange rate scenarios.

2.5 Infrastructure Deficiencies

The long-term problem of inadequate infrastructure in Mindanao posed a serious barrier to investment acquisition during the term of the GEM Program. The absence of adequate power and water systems in the Sulu Archipelago, coupled with the deteriorating peace and order situation, practically wiped out the chances of attracting substantial investment. But infrastructure development is a long-term proposition. Despite constraints, the Program continued to prioritize this aspect, with GEM making considerable progress in effecting infrastructure improvements through advocacy and technical assistance to agencies and organizations concerned.

2.6 Adjusting to Changing Circumstances

As a series of calamities hit Mindanao, and as the peace and order situation deteriorated, together with the country's perceived economic and political stability, some activities of the Program had to be de-emphasized (specifically large scale investment acquisition), while others were expanded (assistance to former MNLF combatants and business support organizations, and efforts to promote trade).

Chapter 3

GEM Support to Farmers and Fisherfolk

3.0 Introduction

In line with its objective of accelerating economic growth in Mindanao, the GEM Program sought to increase the volume and value of higher value products (e.g., fresh and processed agricultural products, manufactured goods) produced, marketed and shipped from Mindanao. This required the improvement of agri-based productivity, both in terms of higher production volumes and more cost-effective and sustainable methods of producing these commodities. More importantly, GEM aimed to expand the participation of Mindanao's lower income groups in these productive activities, including marginal farm and fishing families, indigenous peoples, and Muslim communities.

Towards this objective, GEM provided technical assistance to these groups in improving production technologies; expanding existing markets and accessing more lucrative markets; increasing the value of their products mainly through improved quality, greater processing, and better marketing; strengthening institutional capabilities; and helping improve industry efficiency and policy environment. These efforts were meant to create more jobs and improve the incomes of marginal groups.

3.1 The GEM Approach to Agribusiness Development: The Targeted Commodity Expansion Program

At the start of the Program, GEM tried to provide technical assistance to as many agribusiness trade and investment activities as possible, one by one. The primary considerations were if there was a viable market for the agri-based products of GEM-assisted farm/fish producer groups, and if the latter could come up with the required commercial volume of these products. While this approach had generated quite a number of contract growing projects through market linkage assistance and investments in key agribusiness enterprises, the impact of some activities and the number of beneficiaries were limited.

In 1998, GEM designed the Targeted Commodity Expansion Program (TCEP), a more focused approach to its agribusiness development assistance (See **Annex 3-A**). The TCEP provided an integrated package of technical assistance to Mindanao producer groups and cooperatives to expand their production and marketing of certain agricultural commodities that are profitable, competitive, and benefit large numbers of farmers and producers in the island. TCEPs were implemented for the fisheries, seaweed, vegetable, mango, other high value fruits (e.g., banana, durian, mangosteen), industrial trees, potato, rubber, coffee and peanut sectors.

The TCEPs facilitated access to and expansion of markets. These sectoral programs linked local producer groups to anchor companies that source these commodities, usually through contract growing and marketing arrangements, for processing. However, there were gaps in sustaining these producer-buyer relationships in the long-term. These gaps were either or a combination of poor quality planting materials, inefficient production, post-harvest and marketing methods, lack of or ineffective organization, and lack of resources for expanding production. To address these, GEM provided the necessary technical assistance such as training, extension services, technical

and marketing assistance, linkage to financing sources, and institutional development services. An important part of technology transfer assistance was the development of nurseries that would produce and supply good quality planting materials for the expanded production of TCEP participants. Demonstration farms were also established to show the viability of projects and encourage wider adoption of the improved technologies.

In the implementation of these activities, the analytical framework used was the supply and marketing chain. The supply and marketing chain includes all the primary elements that go into producing, transporting, maintaining quality, processing, and marketing of products (See **Figure 3-1**). To help make Mindanao products more competitive, GEM looked into ways to improve the efficiency and effectiveness of these systems by introducing new technology, organizing producers to advocate for necessary policy reforms and infrastructure improvement, consolidating marketing of some products or input purchases to get better prices or to provide the volume buyers require, encouraging investments in common use facilities, and helping access new markets. Another strategy was to increase competition in input supply, transport, and buyers or markets by identifying and introducing additional suppliers, service providers and buyers to Mindanao producers.

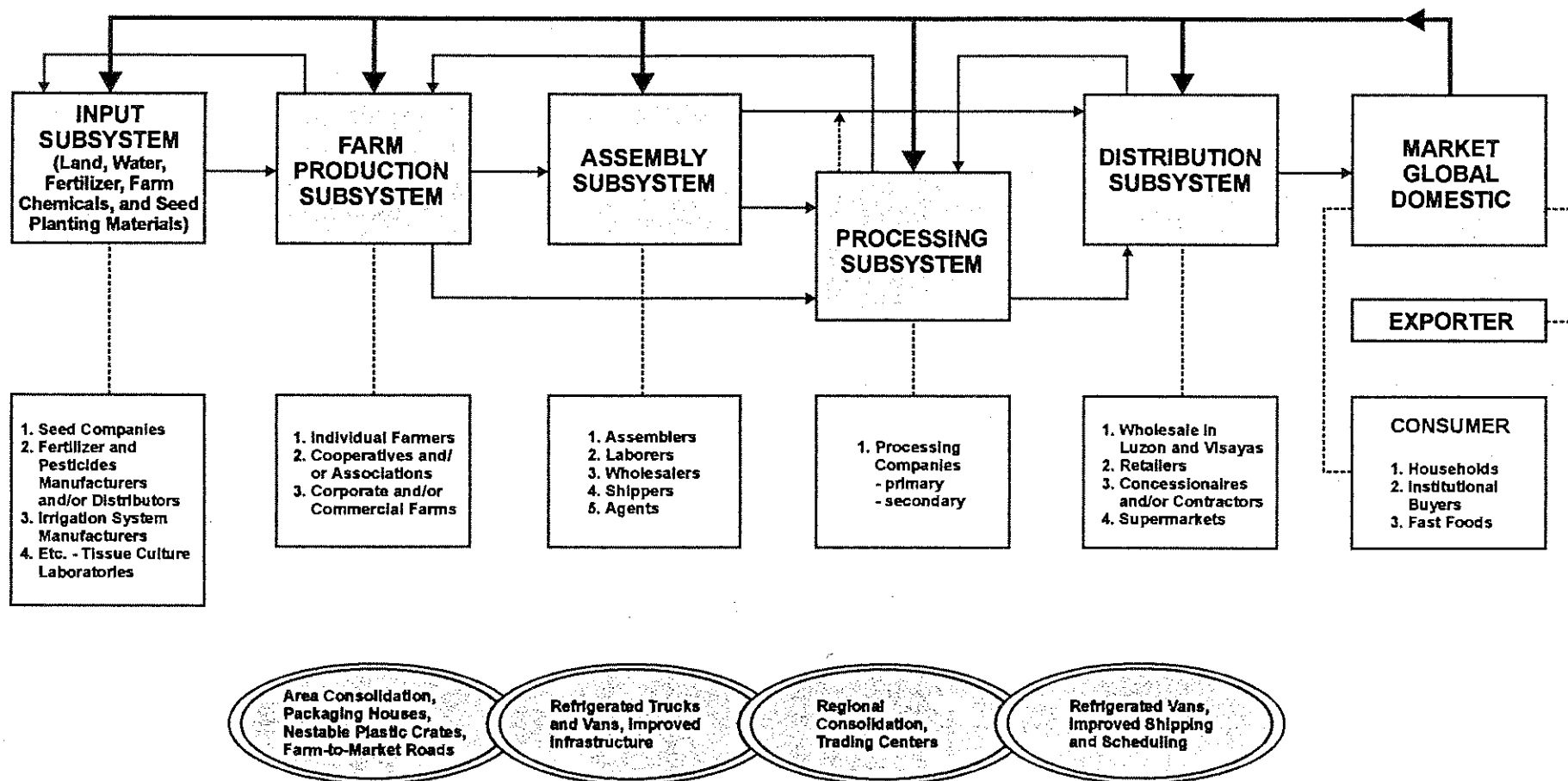
Among the high value commodities that showed the greatest potential for growth, market expansion and benefits to Mindanao producers were tropical fruits and temperate vegetables. In its assessment of the supply and marketing chain for these commodities, GEM found that one of the constraints facing the development of these sectors was the deterioration in the quality and, therefore, market value of these highly perishable products during transit from the farm to the market. Post-harvest losses, often upwards of 30% of production during peak harvest seasons, was a recurring constraint to the profitable production and marketing of these TCEP commodities. Thus, GEM also focused its attention on introducing elements of the cold/cool chain in the post-harvest handling and marketing of these commodities, particularly fruits and temperate vegetables.¹

As TCEP activities accelerated and the client base in a number of sectors grew, it became clear that there was a need to organize producer organizations to further focus efforts and to promote policy reform. Therefore, GEM assistance began to focus on developing key sectoral business support organizations (BSOs) that took the lead in organizing and mobilizing associations or cooperatives of smallholder farmers, fisherfolk, seaweed growers, and other producers to expand commercial production of high value agricultural commodities to meet market requirements (see Chapter 4). In 2000, the strengthening of these BSOs became the key GEM activity. The BSOs became the conduits of technical assistance to the smallholder producers. Enhancing the competitiveness of products produced by Mindanao producers was the primary concern of the TCEP and BSO programs. Increasing productivity and reducing production and marketing (including transport) costs, where practical and efficient, were critical to the survival of Mindanao business, in expanding the Mindanao economy, and in increasing family incomes.

¹ The term “cold chain” is used to describe the flow of temperature sensitive commodities moving under a controlled temperature environment from the initial source to the end-user or consumer. In a complimentary manner, a “cool chain” focuses on minimizing transit time and providing adequate technologies (including cooling) to minimize damage or spoilage in transit. See Section 3.8.4 for a discussion of GEM assistance related to the cold/cool chain.

Figure 3-1

Supply and Marketing Chain



For the fisheries and aquaculture sector, GEM provided a strong focus on the tuna, seaweed and inland aquaculture industries because of this sector's critical importance to the economy of many coastal regions of Mindanao. The strategy was to promote the use of more sustainable production technologies and industry practices, greater value added processing of products, and strengthening of local organizations to address industry concerns, manage resources, and take advantage of market opportunities. Extensive technical assistance was provided to these sectors through the TCEP and BSO programs.

The combined strategies of the TCEP, BSO strengthening, integrated supply and marketing chain, and the cold/cool chain demonstrated success in helping Mindanao smallholder producers expand commercial production, access more lucrative markets, improve product quality and value, and increase their returns from their agribusiness activities.

3.2 Marine Fishing TCEP

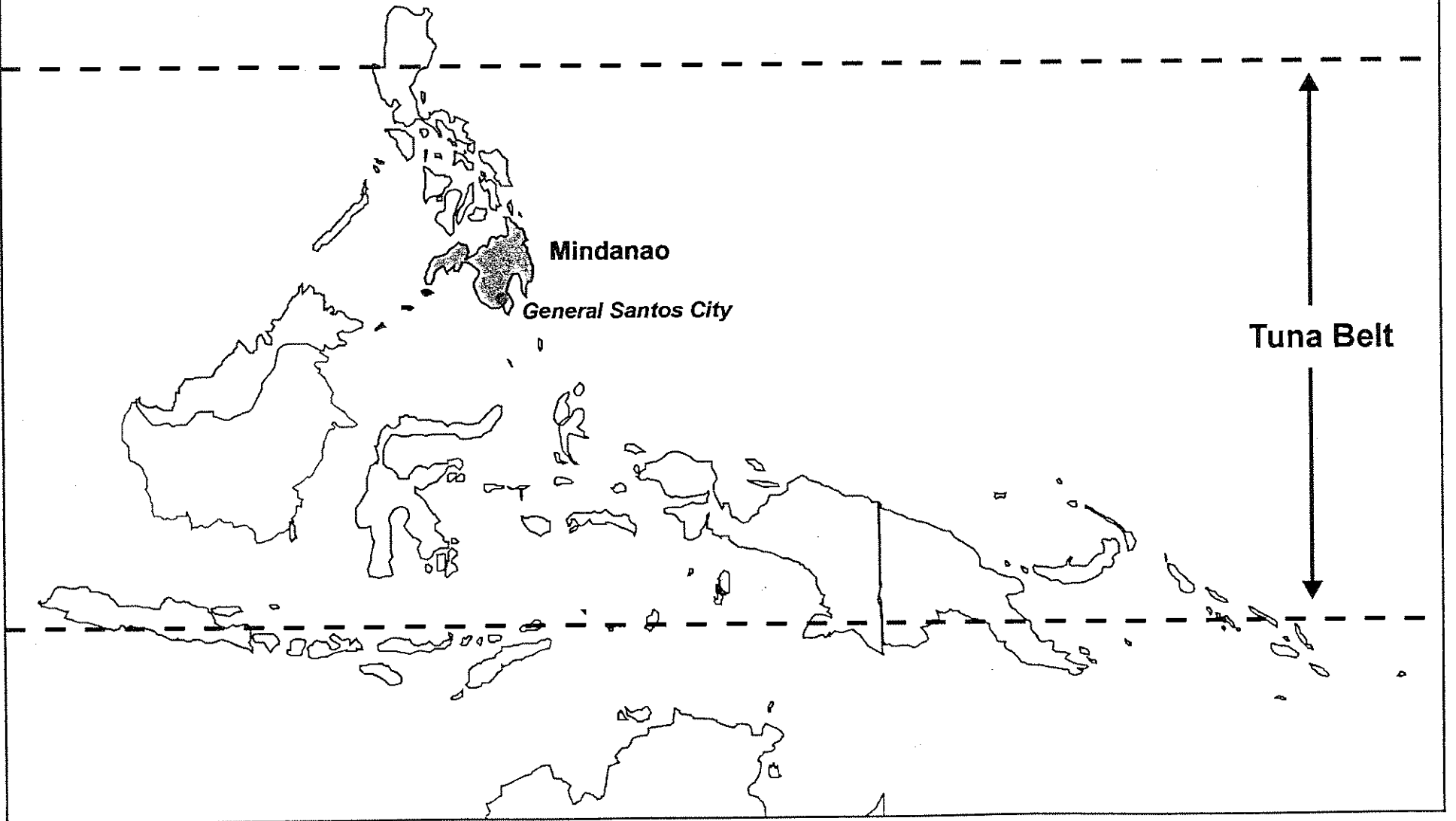
The offshore fishing fleet of Southern Mindanao (based primarily in General Santos City) lands about 300,000 mt of pelagic fish species yearly. These include 275,000 mt of tuna and 25,000 mt of round scad. The offshore fishing fleet and the processing sectors collectively employ roughly 50,000 workers. They produce about US\$250 million in landed value per year and export about US\$220 million of processed fish per year. The offshore fishing fleet consists of about 2,500 large outrigger craft, and about 200 modern purse seine vessels. The outrigger craft, with crews of between 10 and 15 fishermen depending on the size of the craft, use traditional handline methods to catch large yellowfin and bigeye tuna, while the purse seiners use a sophisticated "surrounding" net (a purse seine) which primarily catches the smaller skipjack tuna and round scad.

The Mindanao offshore fishing fleet catches almost 100% of the yellowfin and bigeye tuna, and about 70% of the skipjack tuna which are landed in Mindanao. The balance of the skipjack tuna landed in Mindanao is caught by purse seiners from Taiwan, and South Korea. The Southern Mindanao fleet and the foreign fishing boats land a total of 375,000 mt of tuna per year. About half of the yellowfin and bigeye tuna catch is exported; the rest goes to local markets. About 90% of exports is sent to the U.S. as frozen sashimi, with the other 10% being chilled and shipped to markets in Japan. Most of the skipjack tuna goes to the tuna canneries. Most of the round scad is sent to Japan, Taiwan or South Korea where it is used as bait.

Tuna landed in Southern Mindanao come from Central and Western Pacific populations, which are distinct from tuna populations in the Eastern Pacific. Total tuna catch in the Central and Western Pacific is estimated at 2.5 million mt per year. Of this, 65% is skipjack. The Southern Mindanao tuna landings, therefore, account for approximately 15% of the total catch. Mindanao is fortunate to be situated on the western edge of the Pacific "tuna belt" (See **Figure 3-2**). This geographical location provides competitive advantages in lower costs of fishing and transport of fish to the canneries in General Santos City.

Figure 3-2

Pacific “Tuna Belt”



In 1996, GEM's assessment of the fishing sector indicated that the inshore fishery resources were severely depleted. Even tuna and round scad were over-fished in coastal waters. Many of the fishing methods being utilized were damaging both to the resource and to the environment, including the use of dynamite and poison on the reefs, and small mesh nets in the open sea. Meanwhile, the tuna resources to the east and south of the Philippines were still below maximum sustainable yields.

Because of its critical importance to the economy of Southern Mindanao, GEM included a strong focus on the tuna industry. The objective was two-pronged: to help assure that the size of the annual catch did not exceed "sustainable" levels for the different species being caught and landed, and that the fishing industry provided an optimal long-term contribution to the economic development of Southern Mindanao. GEM saw the huge potential of the deep sea fishing industry for large-scale, trade-led investments in Mindanao. Improving the efficiency of purse seine and longline fishing would promote its growth and lead to many benefits. This will increase on-shore value-adding processing operations, create more jobs for local people, and open up additional market opportunities for small-scale handline fishermen. With these considerations, GEM focused development efforts on enhancing both the catch and marketing opportunities of local fishermen, and the growth and increased efficiency of the deepwater commercial fishing industry. Encouraging both sectors to adopt measures that will protect the environment and improve the sustainability of fisheries resources were prime considerations in these efforts.

3.2.1 Organizing the Commercial Fishing Industry

The Mindanao fishing industry was highly fragmented in 1996. There was little coordination among the 50 subsector associations, and only sporadic policy discussions with the concerned government agencies. GEM technical assistance to the fishing industry was accomplished in 1996-1998 by dealing directly with individual companies. In 1999, GEM decided to focus its fisheries activities on General Santos City, and one of the first initiatives was to assist in organizing the industry. The result was the formation of the SOCSKSARGEN Federation of Fishing Associations and Allied Industries, Inc. (SFFAI) in July 1999. The Federation was initially composed of two representatives from each of six fishing and fish trading associations. In 2000, two new fish processing associations were formed with GEM technical assistance, and these became members of the Federation. The Federation now consists of eight associations representing over 200 fishing and processing companies, approximately 2,800 fishing and service boats, almost 30,000 fishermen, and 11,000 processing workers.

Because of its success at the regional level, the Federation inspired the creation of the Philippine Confederation of Tuna Industry Associations at the national level in 2000. Further, at the urging of the Federation and Confederation, the Philippine Government established that same year the National Tuna Council, consisting of 10 fishing industry representatives and officials of six government agencies. Finally, the Federation and Confederation were instrumental in the development of the World Tuna Boat Owners Association in 2001.

The commercial fishing industry now has a workable structure for solving problems among its various subsectors and for shaping national policies and programs. It is the private sector that has enjoined government to pursue multilateral and bilateral fisheries agreements, and to issue regulations in support of sustainable fisheries. This represents a paradigm shift in sectoral thinking, and could serve as a model for other industries.

3.2.2 Developing a Strong Industry Policy Advocate

The SFFAII has played a major role in unifying industry efforts to influence government fisheries policy and to address key industry concerns. GEM supported the Federation under its BSO program and provided advisory services, preparing numerous briefing and position papers on a variety of issues and co-sponsoring major industry forums. The Federation became the lead private sector advocate for policy initiatives favorable to the Philippine fishing industry, including the following:

- Philippines participation in the Multilateral High Level Convention on Management and Conservation of Migratory Species in the Central and Western Pacific (MHLIC) process;
- Support to sustainable fishing practices;
- Legal access to fishing grounds of neighboring countries;
- Removal of EU tariff barriers on canned tuna;
- Rationalization of pumpboat registration procedures; and
- Solutions for frozen sashimi US patent and regulatory issues.

From late 1999 to early 2002, the Federation with GEM support conducted a series of policy advocacy activities. These included the hosting of high-level discussions with cabinet secretaries and other senior government officials that resulted in government's commitment to prioritize initiatives to address the abovementioned policy agenda for the fishery sector; regional workshops and national Tuna Congresses wherein industry stakeholders adopted a strategic plan for the sector's development and policy initiatives were formulated, recommended, presented and advocated for.

3.2.3 Sustaining the Industry

In 1996, GEM surveys in General Santos City and Zamboanga indicated that at least 15% of all domestic purse seine catches were baby yellowfin and bigeye tuna weighing less than 100 grams. The Bureau of Fisheries and Aquatic Resources' (BFAR) mesh-size requirement of 3 cm actually encouraged the catch of small fish. The international standard for tuna purse seine nets is 10-cm mesh size. Political pressure by the fishing companies with small and medium purse seine vessels prevented the Government from correcting the problem.

Recognizing that conservation arguments alone would not convince industry or Government to change the regulations, GEM developed simple bio-economic models which demonstrated that the fishing companies would earn more money if they switched to 10-cm nets. In 1997, GEM began a low-intensity media campaign, explained the bio-economic models at industry workshops, and held discussions with the more influential fishing companies. By the end of 1999, it was estimated that over 50% of the 250 purse seine fishing vessels had switched to

larger-mesh nets and that the catch of juvenile tuna was less than 5% of total purse seine catch. Many companies confided that they were indeed making higher profits because of the higher unit price for larger fish. GEM and the private sector conducted continuing discussions with BFAR to develop strategies and draft regulations to control the remaining fishery resources. BFAR has recently drafted new rules requiring 7.5-cm mesh, and these will be subject to public hearings in the next few months. Given the new attitude of industry, prospects are bright for the future adoption of international standards on mesh size.

In addition to regulatory measures, GEM encouraged the expansion of tuna longline fishing and introduced night-time handline fishing. Only the larger yellowfin and big-eye tuna are caught using these methods. GEM worked with a Davao company to establish a state-of-the-art longline operation. Although this company did not sustain its operation, three other companies adopted the concept and are now operating nine longline vessels. The Program also conducted workshops demonstrating the use of night fishing gear for handline fishing. The method has since been adopted by more than 100 handline boats and 1,300 fishermen, resulting in a 20% increase in catch, and higher quality fish that command better prices.

GEM helped two handline associations obtain financing for a complex of Fish Aggregating Devices (*payaos*) to improve their catch. The initial *payao* pilot project led to government funding for a much larger project that has done quite well. More than 200 handline boats and 2,600 fishermen have started to use the *payaos* to catch more fish and earn more income.

Except for the 3 cm mesh size regulation, the Philippine Fisheries Code of 1998 did not address other important aspects of offshore fisheries management such as quotas, minimum fish size limits, and fleet size restrictions. Until recently, there were also no uniform standards for the international tuna fleet which operates in the Western and Central Pacific. This changed with the advent of the Multilateral High Level Convention on Management and Conservation of Migratory Species in the Central and Western Pacific (otherwise known as MHLC).

MHLC held seven sessions between 1995 and 2000, with official participation by 27 countries and territories. The objective of MHLC was to develop a regional commission that would manage the highly-migratory resources (mainly tuna) in the international waters of the tropical Pacific. By extension, each Coastal State would be expected to adopt compatible regulations for their Exclusive Economic Zones. With GEM assistance, active participation of the Philippine industry stakeholders and the Government was generated, leading to the lobbying for MHLC provisions that are favorable to the local industry. The Philippines became a signatory to the Convention in September 2000.²

3.2.4 Expanding International Fishing Access

Although the Philippines has one of the largest tuna fishing fleets in the world, the country had no Government-to-Government fishing access agreements with the Pacific tuna resource holders. By contrast, all other major tuna fishing countries (e.g., Japan, USA, China, Spain, etc.) have

² Section 3.8.1 presents a more detailed discussion of the MHLC and GEM assistance in bilateral fishing agreements.

negotiated legal access for their fleets. Although some large Filipino fishing companies have negotiated private deals in Indonesia, Papua New Guinea, Solomons, and Kiribati, the vast majority of local boats had only quasi-legal licenses to fish in Indonesia. These boats were in violation of MHLC and IUU provisions, and a number had been confiscated.

With GEM assistance, a bilateral fishing access and management agreement was established with Indonesia for the Philippine tuna sector. Negotiations with Palau, Papua New Guinea, and other Pacific Island Nations have also been initiated and are ongoing.

3.2.5 Developing a Diversified Value-Added Fish Processing and Export Sector

GEM helped to significantly increase the volume of Mindanao fish catch that was processed, thereby increasing the value of existing fish catch rather than relying on increased catch volumes. Except for canned tuna, most seafood exports from Mindanao in 1996 consisted of whole frozen or fresh fish, particularly large tuna and round scad, which were processed by the importing countries. Almost all seafood exports (except canned tuna) were coursed through a small number of Manila-based brokers. Mindanao fishermen and processing companies had little or no direct links with principal buyers. Most processors were selling in bulk, instead of individually packaged products that fetched higher prices.

GEM responded to this situation by encouraging greater value-added processing of seafood products, identifying overseas buyers and linking them to Mindanao fish processors, and helping improve product quality.

In 1996, the tuna canning sector of General Santos consisted of six operating canneries employing roughly 5,000 workers, and exporting about US\$120 million worth of canned tuna products. In 1997, GEM helped design a re-investment program and obtain investor and bank support for the rehabilitation by First Dominion Holdings of the idle Maranaw Tuna Cannery, a major tuna canning factory in this city. The cannery now employs about 1,000 workers and packs 60 mt of canned tuna per day (from a high of 200 mt before the financial crisis that affected company operations). Two new canneries opened in 1998-1999, and total canning capacity peaked at almost 1,000 mt of fish per day. Even though the “tuna crisis” of 1999-2000 severely affected the canning sector, nine canneries are now operating in General Santos with a combined annual export of over US\$170 million.³

In 1998, GEM provided technical assistance for the startup of Angel Seafoods, which produces premium quality tuna steaks for the American and European markets. In 1999, GEM also provided a wide range of technical assistance to Phillips Seafoods, an American company, for the establishment of a tuna steak and sashimi operation, primarily exporting to Europe and North America. The following year, GEM helped Alpine Fishing develop a facility to process round scad for the U.S. market.

These GEM-assisted seafood enterprises have catalyzed the development of a US\$50 million-a-year processed tuna export industry (excluding canned tuna) consisting of 12 companies

³ This relates to the critical lack of tuna supply that resulted in the below-capacity operation of the canneries.

employing more than 1,200 workers. Four General Santos-based seafood processing companies are now exporting to China, while 12 are exporting their products to North America and Europe. Small-scale fishermen using handlines to fish from pumpboats have been able to boost their incomes by becoming suppliers to this new processing subsector.

Philippine seafood exports used to have a reputation for inconsistent quality. The problems were traced to poor fish handling practices in the fishing vessels and unsanitary conditions in the processing plants that used outmoded technology. In 1996, when the U.S. and the European Union mandated Hazard Analysis and Critical Control Path (HACCP) certification for all seafood imports, the Mindanao processing plants had to upgrade operations to meet the new standards. However, poor maintenance of fish quality in the fishing vessels, particularly those used by small-scale fishermen, continued. GEM addressed the problem by conducting four fish quality workshops in 1997 and 2000. The Program also coordinated HACCP accreditation proceedings between the Government's Bureau of Food and Drugs, BFAR, and the tuna canneries and frozen tuna steak processors. Further, GEM worked with the General Santos Fishport authorities to improve the sanitation and efficiency of fish offloading and trading operations.

As the "frozen sashimi" processing companies developed, GEM encouraged the subsector to form an association to address common problems. The Fresh Frozen Seafood Processors Association of the Philippines (FFSPAP), which became certified in 2000 with GEM assistance, now consists of 12 companies. As a prerequisite for joining the Association, each company must be HACCP-accredited and must have joined the US Department of Commerce Voluntary Inspection Program. With GEM technical assistance, FFSPAP has regularly met and corresponded with USDC and USFDA to help in developing guidelines for frozen sashimi imports to the US.

3.2.6 Modernizing the Fishing Fleet and Equipment

One problem in General Santos was the proliferation of inefficient and unseaworthy vessels, with over 2,000 large outrigger craft, or pumpboats, making up the majority of the city's fishing fleet. Clearly, there was a need to modernize. GEM encouraged handline fishermen to replace their pumpboats with the more efficient and seaworthy monohulls. Two shipbuilding firms have since started operations and are currently building monohulls for the Mindanao handline fleet. Orders have been placed for more than 100 units.

The more modern purse seine fleet of over 600 boats lacked efficient servicing. All fishing gear used by these vessels had to be purchased from Manila or from overseas manufacturers. GEM helped the industry try to establish a marine industrial park proposal for General Santos area to improve vessel maintenance services, including the supply of fishing equipment. While project approval is still pending, two new ship repair firms have already located floating drydocks in Sarangani Bay. The two firms, with more than 200 skilled workers, have already reduced maintenance and repair costs for the local fishing fleet.

In Zamboanga City, GEM assisted in the development of a PhP160 million integrated fishport and ship repair project for Mega Fishing Corporation. With GEM assistance, the company was

able to validate the feasibility of the project and improve the design of the facilities. The port is now being used by other fishing companies and cargo vessels in loading and unloading fish catch, cargo fuel and supplies, resulting in shorter turnaround time, reduced costs, and better product quality. The company also constructed an additional 150 mt capacity ice plant to supplement its existing ice plant of the same capacity. An affiliated sardine canning company, Ayala Seafoods Corporation, also plans to diversify into production of processed tuna.

3.2.7 Benefits from Marine Fishery Development

The Mindanao commercial fishing subsector was, in 1996, producing 300,000 mt, valued at PhP10.1 billion in fish landings and PhP6.2 billion in tuna cannery processing. The industry provided roughly 55,000 jobs in the fishing, processing, and ancillary services sectors in General Santos City alone.

The success of GEM efforts was measured in terms of improved fish quality and better prices, thereby adding more value for the same volume of fish catch. The average landed price of large yellowfin tuna at General Santos went up from PhP80 per kg. in 1996 to PhP180 per kg. in 2002. While heavier demand from processors was a factor, at least 40% of the price increase was attributed to the improved quality of the fish products. The value of processed round scad, at PhP85 per kg., is more than double that of the whole frozen product, which sells at PhP40 per kg. The export price for round scad also increased by 45% during the period, as the General Santos processors developed a reputation for consistent quality among Japanese and Korean buyers.

By the end of 2001, the annual catch had remained static at 300,000 mt, but the ex-vessel value of the catch increased to PhP12.5 billion annually. Also, the value of processed exports increased to PhP11.0 billion. Fishing industry employment increased to about 65,000 jobs, primarily in the processing sector.

The PhP2.4 billion (or 24%) increase in value of landings and PhP4.85 billion (or 79%) increase in processing was consonant with GEM's strategy to improve the income of the industry through better quality and value-added exports, rather than increased landings. Much of the increase in ex-vessel value (PhP2.0 billion) directly benefited the 25,000 handline fishermen, with the balance (PhP400 million) benefiting small-scale round scad net operators.

GEM fisheries industry development efforts have resulted in the establishment of 40 fishing, fish processing, and marketing enterprises with a total investment of PhP1.3 billion and created 5,367 new jobs. Additional GEM activities related to sustainable and effective fishing technologies (i.e., handline and larger mesh nets) directly benefited 7,675 fishing families.

GEM's policy initiatives with the MHLC process and bilateral fishing agreements have had a broader impact than the business development efforts, but are more difficult to evaluate. By joining and actively participating in MHLC, the Philippine fishing fleet will be allocated roughly 20%, or 300,000 mt, of the Western Pacific tuna resource equivalent to US\$240 million in annual landings. This represents a 50,000 mt (US\$40 million) increase over current catch. The bilateral agreement with Indonesia assures access to another 50,000 mt of tuna in Indonesian

waters, valued at US\$40 million. The two agreements have a direct impact on an estimated 35,100 commercial fishermen and tuna processing workers.

3.3 Aquaculture TCEP

In order to reduce fishing pressure on inshore marine resources, GEM initiated a series of aquaculture activities aimed at providing fisherfolk with an alternative livelihood. In all, 54 GEM-assisted aquaculture enterprise projects have been implemented. Twenty-six of these projects dealt with tilapia, with the balance consisting of culture of milkfish (bangus), freshwater eels, shrimps, grouper, snapper, mud crabs, and mangrove crabs; capture and processing of blue crabs; and seaweed farming.⁴ These projects generated about PhP800 million in investments and benefited 3,858 beneficiaries.

GEM provided technical assistance in project identification, feasibility evaluation, linkage to sources of financing and technology, market linkage, technical training and extension services, and organizational development. After assessing the demand and availability of ready markets for selected aquaculture products, GEM identified suitable sources of these commodities in Mindanao. Local producer groups were identified and linked to buyers. The appropriate and cost-effective production technologies were introduced through training and on-site extension services as well as linkage to sources of technologies (e.g., university-based research institutions).

When necessary, the local producers were organized into bigger groups to be able to meet the required volumes of buyers. Another way that project participation and benefits were spread to more farming/fishing families in more areas was by organizing a network of producer groups in different locations and consolidating their production outputs to supply the markets. This was the case for the mud crab producers in Cotabato. GEM started its assistance by linking a mud crab grower to a Manila buyer. The gradual increase in market demand got more growers involved in the crab fattening enterprise, with GEM providing production technology training and advisory services as well as continuing market development. The original grower became a major consolidator/ trader of crabs supplied by a network of local growers and marketed in bulk to buyers in Manila and elsewhere. What started out as market linkage assistance has multiplied significant income benefits to a greater number of marginal families in the region.

This experience with the mud crab growers was mirrored in other aquaculture projects for milkfish, blue crabs, etc. In the case of the swimming blue crab project in Western Mindanao, the multiplier effects of GEM's assistance in linking the blue crab catchers in Tawi-Tawi, Sulu and Basilan to a U.S.-based seafoods processor also generated jobs for more fishing families who were involved in the crab cooking process required by the buyer/processor. The growth of the business has opened up opportunities for a future crab canning plant in Zamboanga City and diversification into other marine products in the region.

⁴ See Section 3.8.3 for a detailed discussion of the GEM-assisted tilapia initiatives. GEM seaweed development activities are discussed in Section 3.4.

3.4 Seaweed TCEP

Some 100,000 predominantly Muslim families in coastal areas of Mindanao directly depend on seaweed for their livelihood. The major production areas for cultured *Eucheuma* and *Kappaphycus* seaweed include the coastal areas of Western Mindanao, the island provinces of Tawi-Tawi, Sulu, and Basilan, the provinces of Zamboanga del Sur, Zamboanga del Norte, and Zamboanga Sibugay, and Zamboanga City. These areas account for about 70% of total Philippine seaweed production, currently valued at PhP2 billion.

The Philippines is the leading producer of *Eucheuma* seaweed, accounting for about 80% of total world supply. Carrageenan, derived from *Eucheuma*, is used in a variety of food and industrial products worldwide. Exports consist of dried seaweed and semi-refined and refined carrageenan. Dried seaweed makes up about half of the exports, by volume, while semi-refined carrageenan accounts for more than half of the export value. Total Philippine exports from Western Mindanao and Cebu (the center for most seaweed processing) exceed US\$120 million a year.

Over the past decade, the volume and value of dried seaweed exports have increased at an average annual rate of 8.5% and 13%, respectively. Carrageenan export earnings likewise improved, with an average annual growth rate of 6% during the period. The world market for carrageenan reached US\$305 million in 1998 and is forecast to grow at an average annual rate of 5% to 7%. Globally, the Philippines now enjoys wide market acceptance of its semi-refined carrageenan and holds a dominant position in *Eucheuma* production. Seaweed and carrageenan now rank a close second to tuna as the country's top fishery export.

The GEM TCEP for seaweed was approved in 1998 to help address the industry's production, processing and marketing concerns. The goal of the TCEP was to help maintain the industry's international competitiveness and increase the incomes of seaweed farming families by giving them access to new production and post-harvest technology, and to more profitable markets. This was done by introducing improved varieties and better production and post-harvest techniques in GEM and ELAP seaweed production sites (See **Figure 3-3**), identifying and linking new buyers with seaweed producers, and encouraging investors to establish processing facilities closer to the production areas.

Components were introduced for grow-out technology and long-term training. The MSU in Tawi-Tawi conducted research to determine factors that caused "ice-ice" disease and to find measures for controlling it, and to develop varieties that were disease-resistant and higher yielding. Seaweed growers became more aware of better product quality standards and have adopted improved production and post-harvest practices. For example, they now refrain from the previous practice of salting seaweed to hasten the drying process, which resulted in poor quality products. The processing component provided technical assistance to prospective investors in carrageenan processing plants, and to various institutions for developing new uses for the seaweed product.

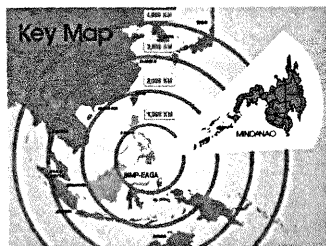


Figure 3-3

Emergency Livelihood Assistance Program Field Offices and Production Sites

LEGEND

POLITICAL BOUNDARIES

- Municipal
- Provincial
- Cluster

ROADS

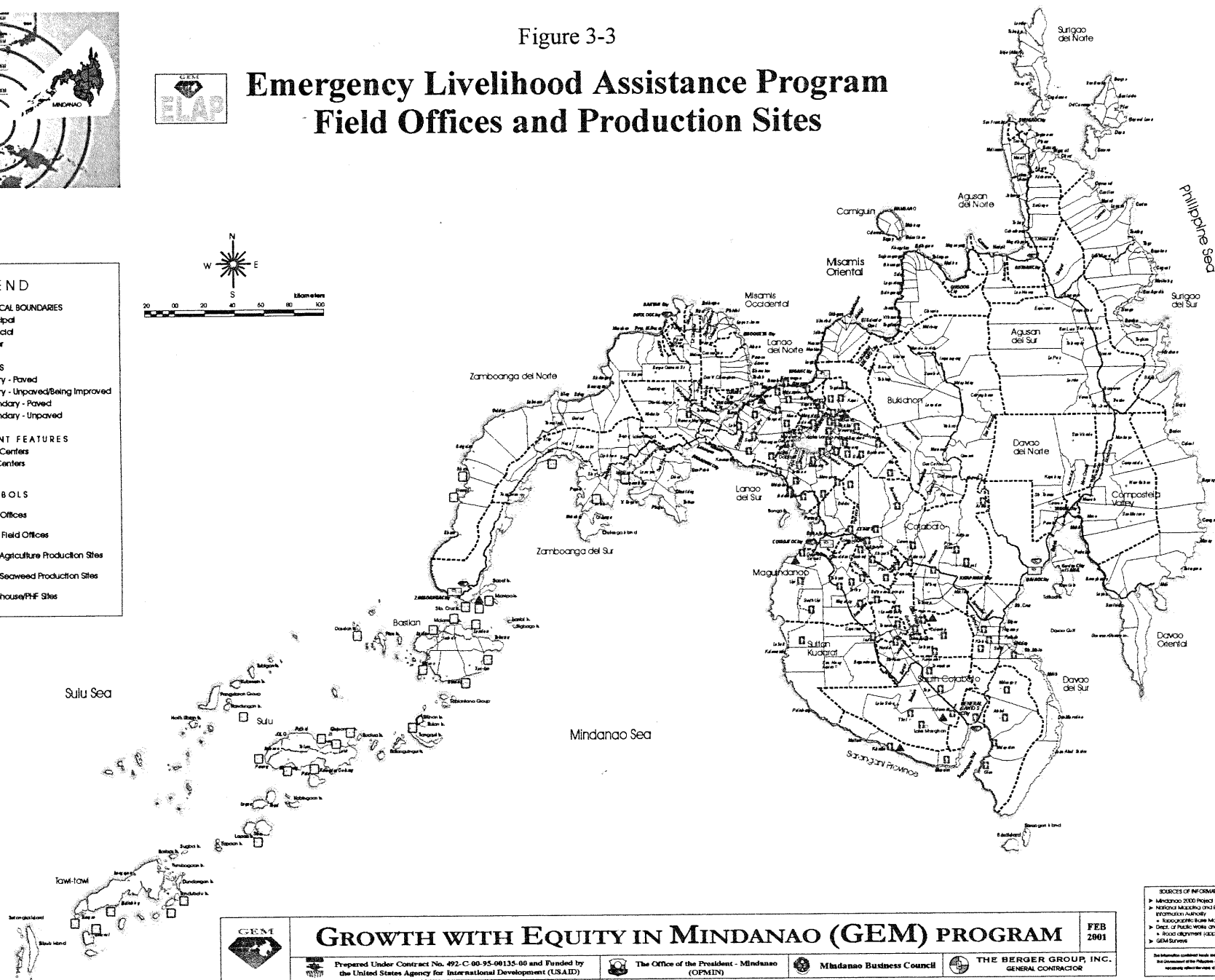
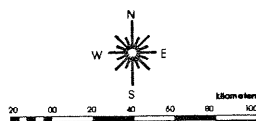
- Primary - Paved
- Primary - Unpaved/Being Improved
- Secondary - Paved
- Secondary - Unpaved

POINT FEATURES

- Town Centers
- City Centers

SYMBOLS

- GEM Offices
- ELAP Field Offices
- ELAP Agriculture Production Sites
- ELAP Seaweed Production Sites
- Warehouse/PHF Sites



GROWTH WITH EQUITY IN MINDANAO (GEM) PROGRAM

Prepared Under Contract No. 492-C-00-95-00135-00 and Funded by the United States Agency for International Development (USAID)

The Office of the President - Mindanao (OPMIN)

Mindanao Business Council

THE BERGER GROUP, INC. GENERAL CONTRACTOR

FEB 2001

SOURCES OF INFORMATION

- Mindanao 2000 Project (1994)
- National Mapping and Resources Information Authority
- Topographic Scale Maps
- Dept. of Health, Social and Welfare Services
- Road documents (supplementary)
- GEM Survey

The information contained herein was provided by the Government of the Philippines and is not necessarily correct for all uses of GEM.

3.4.1 Western Mindanao Seaweed Industry Development Foundation, Inc.

GEM co-sponsored the First Mindanao Seaweed Congress in April 2000, which gathered all sectors of the seaweed industry to discuss common concerns. These issues ranged from declining productivity and continuing delivery of inferior quality raw materials, to growing competition from other carrageenan-producing countries. The Congress, held in Zamboanga City, was attended by seaweed farmers, traders, processors and exporters from all over Western Mindanao and the Sulu Archipelago. During the event, the assembled seaweed stakeholders agreed on the need to establish an industry-wide organization.

GEM assisted in organizing the Western Mindanao Seaweed Industry Development Foundation, Inc. (WMSIDFI) in July 2000 and having it SEC registered in February 2001. The Foundation now serves as the umbrella organization that promotes the interest of the stakeholders of the seaweed and carrageenan industry of Western Mindanao and the provinces in the Sulu archipelago. It has taken a lead role in addressing industry concerns such as the lack of good quality planting materials, low productivity, lack of post-harvest facilities, poor product quality and non-implementation of quality standards, and lack of commercial credit facilities.

With GEM assistance, the Foundation has prepared a strategic industry development plan for 2000-2003 in cooperation with the Inter-agency Task Force on Seaweed, which coordinates government support for the seaweed industry. It is composed of agencies that include the Departments of Trade and Industry, Agriculture, and Science and Technology, BFAR, and the Office of the Zamboanga City Agriculturist. GEM and the Foundation also closely coordinated with other institutions such as the Southeast Asia Fisheries Development Council (SEAFDEC), University of the Philippines Marine Science Institute (UPMSI), DOST-Philippine Council for Aquatic and Marine Research and Development (PCAMRD), and Seaweed Industry Association of the Philippines (SIAP). The plan lays out the specific activities and action plans to address the concerns of the industry as well as its budget requirements.

In April 2001, GEM co-sponsored the Second Mindanao Seaweed Congress and provided funds to update a *Eucheuma* Seaweed Industry Study conducted by the University of Asia and the Pacific. The study now guides the stakeholders on how to further develop their industry. In 2002, GEM again co-sponsored the Third Mindanao Seaweed Congress and supported Mindanao's participation in the National Seaweed Conference in Cebu in September. In that forum, it was agreed to hold a planning workshop to come up with a national integrated strategic plan for the industry.

The WMSIDFI is represented in the National Seaweed Technical Working Committee. Committee members include government agencies concerned with the seaweed industry and the SIAP. Taking off from WMSIDFI's strategic plan, the committee has designed an integrated national seaweed industry plan for 2000-2004, which includes an export development and promotion plan.

Led by the Foundation, the seaweed industry stakeholders were able to advocate for more favorable government policies and programs for the development of the industry. Quedancor is now developing a more appropriate financing program for fish culture and seaweed. DTI-

ARMM has started preparing a Quality Management Program for the seaweed industry in the ARMM. The National Power Corporation is fast tracking the completion of its power infrastructure projects in seaweed producing provinces of Western Mindanao. The DENR and DILG are now preparing guidelines to help formulate LGU ordinances on the effective use and management of municipal waters and coastal areas, including those for seaweed industry development. As the freight rates of seaweed and carrageenan exports are already deregulated, the industry will take initiatives to discuss directly with shipping companies the possible reduction in freight rates. The Foundation was also able to advocate for the establishment by DOST of a seaweed gene bank in Zamboanga City.

3.4.2 New Seaweed Processing Plants and Market Access

GEM helped establish a number of new seaweed investment and trading ventures in Western Mindanao. One of these is the LM Trading/Zamboanga Carrageenan Inc. a Zamboanga City-based processor of semi-refined carrageenan and food grade carrageenan and a member of WMSIDFI. The company, which directly employs 40 workers, purchases 10,000 bags of dried raw seaweed from local growers each week. GEM assisted the corporation in registering with the Board of Investments, obtaining financing from DBP, obtaining import incentives for seaweed processing machinery and equipment from the Department of Finance, Bureau of Customs, and Department of Agriculture under the AFMA, identifying and linking with foreign buyers, and establishing sourcing agreements with seaweed producer organizations, including ELAP-assisted seaweed farmers.

GEM also assisted two other local investors in the planning and design of their carrageenan processing ventures in Zamboanga City, and in preparing loan applications with DBP.

Aside from providing direct jobs, the increased processing capacity of the seaweed industry has boosted the incomes of Mindanao's seaweed farmers.

3.4.3 Other Assistance to the Seaweed Industry

Through the seaweed TCEP, GEM was also able to attract the support of other organizations for the seaweed industry. The Technology and Livelihood Resource Center funded a PhP480,000 production training program for 600 Tawi-Tawi seaweed farmers. BFAR provided a PhP810,000 funding for village-level seaweed post-harvest and drying facilities. DOST-PCMARRD assigned the UPMSI to assist MSU-Tawi-Tawi in its seaweed research and development program and in the conduct of related field research in other seaweed producing areas, in cooperation with seaweed farmer groups.

GEM designed and helped advocate for a PhP1 million seaweed warehouse, solar drier and timber port project funded by the British Embassy in Boboh Island, Zamboanga City; a PhP322,000 seaweed farming and marketing project, and the construction of a solar dryer in Taluksangay, Zamboanga City funded by the New Zealand Embassy; and a PhP15 million United Nations Development Program (UNDP)-GAINEX program for seaweed development, including the installation of three seaweed propagation facilities in Zamboanga City and Panglima Sugala, Zamboanga.

GEM's technical assistance to the seaweed sector directly benefited about 1,700 seaweed farmers. Assuming that only 10% of the 100,000 seaweed farmers directly benefited from other GEM assistance to the industry, at least another 10,000 beneficiaries would be added.

3.5 Agri-Based TCEPs

GEM's TCEP experience had varying levels of success among the different commodity sectors. Over 78,000 Mindanao producers have received training and extension services under the TCEP. However, while GEM was able to enhance production technologies and farm practices of participating producer groups in all the sectors, improvement of their income hinged on the sustainability of their marketing tie-ups with the buyers/processors. At the end of the GEM Program, the TCEP-assisted producers of mango, rubber, vegetables, and coffee gained more from the program than their counterparts in the other agri-based commodities. The unity, commitment and proactive management of the participating groups spelled the difference between success and failure. For some sectors, the financial crisis of 1999-2000 also adversely affected the operations of the anchor firms and, as a consequence, that of the local commodity suppliers as well. Still another factor was the El Niño/La Niña seasonal climatic condition that affected production.

GEM has significantly contributed to the development of Mindanao's tropical fruit industry. Mainly by organizing a Mindanao-wide fruit industry development council and providing a range of strategic technical assistance, local producers of mango and other high value fruits now have better access to production and post-harvest technologies, have expanded their production to meet the required volumes for export and domestic processing, and have become a strong advocate for policy reforms to further boost the industry.⁵

The coffee TCEP contributed to the expansion of coffee production areas in the Caraga region. GEM convinced Nestle Philippines to pursue a coffee industry development program in the area, through tie-ups with local producer groups. The associations, with a total membership base of 1,200 coffee farmers, entered into a growership arrangement with Nestle. The company and GEM introduced new farming cultures that involved the establishment of mother clonal gardens and nurseries, and the rejuvenation of under-productive coffee farms in the region.

GEM focused its rubber TCEP on Basilan and Zamboanga del Sur, which produces over 30% of Philippine rubber supply. About 2,000 rubber growers were directly benefited by the program. Majority of them are members of agrarian reform beneficiaries cooperatives in the two provinces. GEM linked the cooperatives to rubber buyers/processors, leading to supply agreements between them. In cooperation with the DA and the LGUs, GEM provided the local growers with technical training in production, post-harvest and semi-processing technologies. Rubber nurseries were established to develop good quality seedlings needed to rehabilitate aging rubber farms and expand the hectareage planted to rubber. Later, GEM expanded its rubber industry development support to Agusan del Sur.

⁵ See Section 3.8.3 for a more detailed discussion of GEM assistance to the fruit industry.

Another successful TCEP-assisted sector was the Mindanao vegetable industry. Initial GEM interactions with the industry pointed to the need to organize local producers at the regional level. GEM helped organize two such groups in Southern Mindanao and Northern Mindanao, with about 60 member-cooperatives with a total membership of over 5,000 farmer-growers. These groups became the focus of technical assistance and channels for expanding assistance to more beneficiaries. As in other TCEPs, GEM provided training, extension services, market linkage, institutional networking and capability building support. More than 1,000 vegetable growers were directly benefited by GEM assistance.⁶

To encourage more local producers to go into commercial production of TCEP commodities and to adopt improved production technologies, GEM helped establish demonstration farms, organize technology forums, and prepared various technical guides, manuals, production area profiles, and suppliers directory (See **Figure 3-4** and **Annex 3-A**). These publications were sold by GEM-assisted BSOs, providing them additional revenue.

3.6 Cold/Cool Chain System

A common problem of many Mindanao producers is their distance from the major markets in Manila. While Mindanao's rich agricultural resource base, raw material sources, and cheaper labor give them the advantage of producing at relatively lower cost, the peso savings in production are eroded by the higher transport costs to markets outside the island. One strategy was to encourage greater processing of commodities within Mindanao, which should lead to greater product value, incomes and employment. For Mindanao's fresh product exports, however, the issue of high transport costs remained, which made these products uncompetitive with those of other regions closer to the markets. To address this and to complement its TCEPs, GEM also focused its efforts on helping accelerate the development of a cold/cool chain for fresh produce from Mindanao (See **Table 3-1**).

Table 3-1
Components for an Effective Cold/Cool Chain
for Mindanao-Produced Fruits and Temperature Vegetables

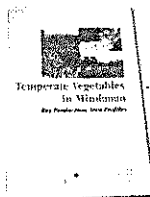
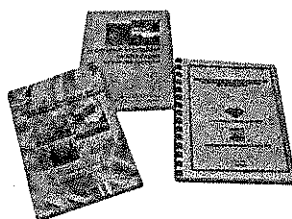
-
- **Packing houses** of simple design are being tried by some larger firms but are not widely known or understood by smaller firms and growers. Therefore, basic configuration and adaptation to local conditions is needed, then wider promotion in key upland areas. In many cases, these important facilities could be mobile in design so that they could serve the post-harvest consolidation needs of different areas.
-
- **Nestable plastic crates** are gaining recognition as less expensive per use and best protection against damage during transport of selected fruits and vegetables. The back haul arrangements between Luzon and Mindanao will depend on the results of the San Miguel Plastic Products leasing and returns program. This issue should be addressed at the farm level and marketplaces, and links strengthened between growers and buyers through the active role of the targeted BSOs.
-

⁶ See Section 3.8.4 for a more detailed discussion of GEM assistance to the vegetable industry.

Figure 3-4

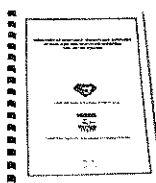
GEM Agribusiness Technology Publications

Guides to Fruits, Vegetables, & Peanut Sectors



TEMPERATE VEGETABLES IN MINDANAO: KEY PRODUCTION AREA PROFILES

Discussion on current and potential vegetable area profiles including maps, farmer profiles, input suppliers, market structures and supply capabilities of each region.



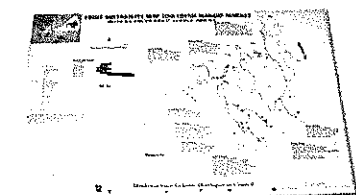
DIRECTORY OF VEGETABLE TRADERS & SUPPLIERS IN SOUTHERN & NORTHERN MINDANAO AND IN THE VISAYAS

List of over 130 vegetable traders, wholesalers/retailers and institutional buyers from key cities and municipalities of Mindanao and Visayas.



BAG-ONG PAMAAGI SA PAGTANUM UG UTANON (NEW VEGETABLE PRODUCTION TECHNIQUES)

Step-by-step instructions on growing nine common vegetables.



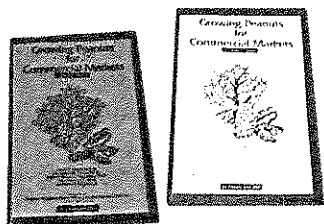
FRUIT SUITABILITY MAP FOR FRESH MANGO MARKET

A map that presents the best areas of Mindanao for mango production for the fresh market.



FRUIT BUYERS INFORMATION GUIDE 2002

List of over 150 fruit buyers nationwide with their individual fruit requirements in terms of volume, variety, specifications and months needed.



GROWING PEANUTS FOR COMMERCIAL MARKETS: A FARMERS GUIDE*

Discusses implications of cropping decisions related to the farmer's field situation and postharvest handling, storing and marketing of peanuts with shell. An analysis of costs, revenue and profits from growing peanuts is also included. Information on 102 buyers of peanuts nationwide has been attached to provide the farmers alternative market options.

(* also available in Visayan)

QFC Bldg., Lot 22, Block 3, Phase 7, EcoLand Subd., Marina, Davao City, 8000 Philippines Tel (63)(82) 298-2192 to 94 Fax (63)(82) 298-2195 E-Mail gem@mindanao.org



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-
- **Field to rural assembly points** generally lack roads for vehicles, thus small farmers often depend on horseback transport which causes bruising and damage to perishable vegetables. As a result, little is qualified for higher priced markets. In the mountains of Taiwan, farmers have solved that problem with durable and easy to operate multipurpose power carts termed “iron buffalo.” At about P 100,000 for a used iron buffalo, these could revolutionize upland movement of inputs and commodities of high value.
-
- **Truck beds and refrigerated trucks** in many Asia countries have been adapted to the specific sizes which fully accommodate standard sized, nestable plastic crates. These may still need to be prepared and offered to transporters in order to increase the use of such crates and handling procedures for loading and transport of vegetables and fruits. Refrigerated trucks are expected to play an increasingly important role in maintaining proper temperatures during the transport of commodities between the area consolidation and regional consolidation points.
-
- **Container van** use, rather than loose cargo, for sea shipments has become increasingly popular. However, unless adequate volume and quality warrants the use of refrigerated vans, shelf life of fresh fruit and vegetables for wet market sales can be reduced by ordinary enclosed vans. Although various forms of screened vans or ventilated vans for use of perishable fruits and vegetables are in use, their numbers, availability, and costs in Mindanao remain problematic. Using nestable plastic crates within those fruit vans will substantially improve shelf life and value of vegetables and fruits shipped from Mindanao.
-
- **Consolidation points**, termed transshipment marketplaces, such as the proposed Cagayan de Oro (CDO) Vegetable Trading Center, should be positioned at the main port cities of CDO and General Santos City, with a smaller version in Cotabato City. These would serve to stimulate the formation of more market channels and spot market transactions for temperate vegetables given their critical roles in price formation, deliveries of large volumes, lower costs for arranging and loading screen vans, and timely payments to growers.
-
- **Shipping routes** to Visayan and Luzon ports and improvements in the cargo holds of “hot vessels” should be addressed with each shipping line along with cargo handling from the dominant Mindanao ports of CDO, General Santos City and Davao and the promising ports in Zamboanga and Cotabato City. Promote advantages and use of Roll-on/Roll-off (Ro-Ro) shipping facilities.
-

Some areas in Mindanao, particularly Northern Mindanao, are major sources of temperate vegetables. Yet, Baguio remains as the country’s primary source of temperate vegetables for the Luzon, Metro Manila and even the Visayas markets. Northern Mindanao, despite its favorable agro-climatic conditions, remains as an alternate source of vegetables only during the rainy season (June to September) or when Baguio is hit by typhoons or heavy rains. Mindanao producers find it difficult to compete with Baguio due to the higher transport costs and inferior vegetable quality resulting from the longer distance and transport time to these markets. Vegetables were normally transported from the farm overland to major airports where they were loaded, in cartons, and flown to their Manila or Cebu destinations to cut down on transport time and preserve their freshness as much as possible. This transport and handling process, however, usually resulted in a degradation in the appearance and freshness of these products. The steadily increasing freight rates have also proven detrimental to the local industry.

Currently, the best way that Mindanao growers can bring their vegetables and other perishable products to the Manila market fresh, in good quality, and at reasonable freight costs is by shipping these vegetables in nestable plastic crates loaded in refrigerated vans. GEM initiated the development of this cold/cool chain system in partnership with Cagayan de Oro and Bukidnon-based growers and consolidators of lettuce for the Manila market. The lettuce growers were able to establish sharing arrangements that reduced their marketing costs, improved their product quality, and expanded their market. Based on this very encouraging result, more lettuce suppliers from Mindanao are shifting from air to sea transport using this cold/cool chain. Serving as a model, this cold/cool chain on lettuce is now being replicated in Southern Mindanao and being expanded to include other vegetable products.⁷

GEM's infrastructure development component complemented agribusiness development efforts to develop the cold/cool chain. GEM rallied the private sector to advocate for the fast tracking of road, airport and seaport projects that would link Mindanao producers to their markets. GEM negotiated with shipping lines for the use of more fruit vans in shipping perishables. To date, Mindanao's business community continues to pursue discussions with airlines, shipping and freight forwarding companies to improve the transport system and services and rationalize freight rates.

The further development of the cold/cool chain in Mindanao to cover a wider range of vegetables, fruits and other perishables should be a continuing strategy for private and government development organizations in the coming years.

3.7 Key Agribusiness Enterprises

Another GEM strategy was to actively develop new markets for Mindanao's agri-based products. The Program tried to do this by facilitating private sector investments in key agribusiness enterprises. These were strategic businesses that usually involved processing of agricultural products in Mindanao.

GEM facilitated 82 key agribusiness enterprises with a total investment cost of PhP7.8 billion. These include a seaweed processing plant in Zamboanga City, an aqua feedmill in South Cotabato, a banana chips factory in Cotabato, two tuna steak processing facilities and a round scad processing factory in General Santos City, and a sardine canning plant in Zamboanga City. Aside from these new business ventures, some investors were also assisted in expanding their existing agri-processing operations in Mindanao, including the anchor firms of GEM TCEPs.⁸

In 2001, GEM convinced a Cebu-based fruit processor to process and market dried calamansi, with the raw material to be supplied by local growers. The company was also assisted in identifying a suitable site for its fruit processing plant in Davao, linked with growers, and provided with information on sources of fresh fruits (e.g., banana, solo papaya, mango,

⁷ The cold/cool chain project for vegetables is also discussed in greater detail in Section 3.8.4.

⁸ See Section 6.2.2 for a detailed discussion of key agribusiness enterprises.

guayabano, etc.) for processing into puree and dried fruit products for domestic and export markets.⁹

The establishment of these strategic agribusiness enterprises has created a steady market for local producers, resulting in improved incomes. New jobs were created at the new plants. By stimulating the growth of upstream and downstream industries, these investments have also indirectly generated more jobs in ancillary agri-based and service industries.

3.8 TCEP Case Studies

The following section presents snapshots of some GEM-assisted projects and activities that illustrate how the Program was able to benefit farmers, fisherfolk and other small-scale producers in Mindanao.

3.8.1 Promoting Sustainable Fishing: The Fishing TCEP

The Philippines sent two observers to the first two MHLC sessions in 1995, but did not actively participate. When GEM learned of the importance of MHLC, it briefed industry representatives and BFAR on the potential impact of the proposed regional commission on the Philippine fishing sector. This initiative led to active participation by large Philippine delegations at the succeeding five sessions. Strong inputs from the SFFAAII and Confederation of Tuna Associations convinced the DFA that MHLC was an important undertaking, and DFA responded by naming senior diplomats as Heads of Delegation.

Prior to each MHLC session, industry and BFAR/DFA met to discuss upcoming issues and to develop Philippine positions, with the issue or position papers prepared by GEM. With this coordinated effort, the Philippines was able to win important concessions in the final Convention text. For example, several large fishing countries wanted to ban transshipment of fish at sea because this practice was advantageous to the Philippines fleet, but impractical for other fleets. The Philippines managed to counter the arguments and avoid the ban. Another issue was the demand of the Island Countries that all vessels fishing on the high seas should use satellite monitoring equipment, and should accommodate observers from the Commission. While this is fine for the large purse seine vessels, it is impractical for the 2,500 Philippine pumpboats that employ the traditional, but more environment-friendly, handline fishing method. The Philippines was able to insert language, which exempts traditional craft from these requirements.

Noting its satisfaction with the Convention Text, the Philippines became a signatory in September 2000. In terms of fisheries management, the MHLC Convention is a powerful tool for assuring sustainable fisheries. The text requires all participating countries to adopt management regulations that are compatible with the strict MHLC standards. Thus, the Philippine Government, as a responsible signatory, must revise its fisheries regulations to include sustainable fishing practices. BFAR is currently reviewing and revising regulations to comply with the MHLC standards. The tuna industry, recognizing that it would lose fishing rights in the Pacific if it does not abide by the new regulations, has become a strong supporter of MHLC. In

⁹ See Section 3.8.3 for a discussion of the fruit processing project.

fact, the industry encouraged Government to host one of the MHLC Preparatory Conferences. As a result of its favorable offer, the Philippines hosted the Third MHLC Preparatory Conference in November 2002. The regional commission is expected to begin operations in 2003 following ratification by at least 13 countries, and DFA has prepared documents for ratification by the Philippines Senate.

In addition to MHLC, the tuna industry is working closely with DFA and DA to participate in a UN-sponsored initiative to combat Illegal, Unreported, and Unregulated Fishing (IUU). This new initiative, in conjunction with MHLC, will improve registration and data reporting of the commercial fleet, and bolster the Philippines' image as a responsible player in international fisheries.

GEM has played a pivotal role in the MHLC and IUU processes by making the local private sector and the Philippine Government aware of the importance and long-term impact of these agreements on the sustainability of the fisheries industry and by getting them to actively participate in these processes. GEM also provided technical assistance in preparing briefing and position papers, coordinating pre-Conference planning sessions, and attending international meetings as advisor to the Federation and Confederation delegates (expenses paid by industry).

GEM began helping the Mindanao fishing industry advocate for fishing access and management agreements in 1997, but it was not until the Federation and Confederation lobbied in 2000 that Government began to act. Informal bilateral discussions were conducted between DFA officials and Palau and Papua New Guinea at the September 2000 MHLC session and the September 2001 National Tuna Congress. Based on these discussions, which have been coordinated by GEM, DFA and BFAR have prepared Fisheries Cooperation MOUs with these two countries. Final negotiations with Palau were done in November 2002 while discussions with PNG are expected to continue in 2003.

As part of an industry mission to Jakarta in April 2000, GEM's Fisheries Specialist met with Indonesia's Minister of Maritime and Fisheries. The Minister expressed his desire to enter into an agreement with the Philippine Government. This information was relayed to DFA, and resulted in an informal bilateral meeting with Indonesian fisheries officials in May 2001 in Singapore. A further meeting in October 2001 in Jakarta with the new Indonesian Minister of Fisheries resulted in the preparation of a Fisheries Cooperation Agreement, which was signed by the two countries in November 2001. Although this "mother" agreement is broad in nature, it authorizes the countries to enter into fishing access agreements, cooperative fisheries and aquaculture research endeavors, and compatible conservation and monitoring programs.

With this major barrier broken, the Philippines and Indonesia successfully concluded a fishing access agreement in January 2002. The agreement allows 75 Filipino purse seiners and 10 longliners to fish in the Indonesian Exclusive Economic Zone. Unfortunately, the agreement does not address the large fleet of Filipino pumpboats currently fishing in Indonesia under paralegal arrangements. The pumpboats could not be accommodated because Indonesian law does not allow the national government to license vessels under 50 gross tons. Thus, the pumpboats will continue their joint venture arrangements with the provincial governments and Indonesian private sector.

In addition to the bilateral agreement with Indonesia, the Philippines' ratification of MHLC will give the industry legal fishing access to the international waters along the equatorial belt. These two agreements will allocate the Philippine fleet at least a 350,000 mt annual share of the Pacific tuna resource. This assures the fleet a continuation of its current catch and allows for 50,000 mt growth, valued at US\$40 million.

3.8.2 Tilapia Production

One of the most successful of GEM-assisted aquaculture activities was the introduction of a high-salinity tilapia strain by FYD International. Previously-imported species of tilapia were strictly confined to fresh water. They could not be cultured in the 5,000 hectares of brackish and marine fishponds left vacant after the prawn industry collapsed in 1990. GEM assisted FYD in locating a suitable salinity-tolerant hybrid in Arizona, visited the breeding station, and helped arrange the importation of brood stock. Once the brood stock was safely in the Philippines, GEM provided advice on hatchery technology and linked FYD with potential local growers.

A network of tilapia hatcheries, nurseries and growout ponds in Central, Southern and Northwestern Mindanao was established, providing income for many growers. This was complemented by an aquafeeds plant in General Santos City to serve the various growers of this higher yielding tilapia strain.

An unexpected benefit was the discovery that the salinity-tolerant tilapia produced a bacterium, which countered the luminescent bacteria disease that had killed the prawn industry. With this discovery, FYD developed a symbiotic prawn-tilapia growout system which has rejuvenated the prawn industry. The BFAR and the PCAMRD have authenticated this discovery and are now educating prawn farmers throughout the country in the use of the system.

3.8.3 Tropical Fruit Production and Marketing

GEM's support to the tropical fruit industry of Mindanao started with the provision, under the mango and other high value fruits TCEPs, of technical training and extension services in fruit production and post-harvest handling practices. This directly benefited about 2,000 farmers involved in mango, banana, durian, mangosteen, rambutan and lanzones farming. While these activities expanded fruit production area, market linkage initiatives met with limited success. There was a need to rationalize GEM assistance and involve more key players of the industry.

In 1999, GEM helped organize the Mindanao Fruit Industry Development Council (MinFruit) to serve as the umbrella organization of all fruit grower cooperatives and producer groups throughout the island. With GEM assistance, MinFruit has successfully united all key producer-based industry players towards a common vision of a more cohesive, better organized and more competitive industry. The Council now boasts of over 30 member-groups, mostly provincial fruit grower associations in most major fruit-producing regions in Mindanao, notably Davao Gulf, SOCSKSARGEN, North Cotabato, ARMM, Caraga, Northern Mindanao, and Western Mindanao. Its corporate members also include established local agribusiness entities such as SODACO (Consunji Group), ECJ Farms (Cojuangco Group), and Malaya Farms.

With GEM co-funding and technical support, MinFruit has undertaken a number of activities to accelerate the development of the local fruit industry through improved access to markets, better production technologies, and sustained policy advocacy efforts. One such activity was the Agri-Kalakal Program which linked MinFruit member-cooperatives with established agribusiness companies through viable contract growing or raw material supply agreements. This paved the way for a working tie-up between a General Santos City fruit cooperative and multinational firm Dole Philippines on a supply arrangement for mangoes, including the prototyping of a production protocol for export-grade mangoes for the Japanese market. The total volume purchased in Davao alone amounted to about 338,000 kg valued at PhP5 million. Dole also procured from Cagayan de Oro.

MinFruit has organized a number of major annual events, such as the Mindanao Mango Congress and the Mindanao Fruit Industry Conference, which have brought together various industry players and showcased the potentials and needs of the local fruit industry. Through these events and follow-up activities, Mindanao fruit growers were able to access the latest production and market updates as well as network with prospective buyers, technology providers, input suppliers and support groups. These events also served as venues for advocating crucial policy issues affecting the industry. Among the policy concerns that MinFruit has successfully pushed for are increased DA funding support for the industry, establishment of a Philippine Tropical Fruit Research Center to be based in Mindanao, deregulated trading of agro-chemical products, aggressive marketing campaign for Philippine tropical fruits in strategic countries such as the United States (mango), Australia (banana, pineapple), and China (banana, pineapple).

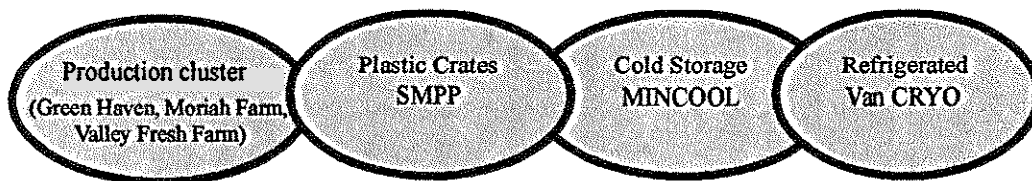
GEM linked the fruit producer groups in Mindanao to several major fruit buyers/processors. A major supplier of fruits and vegetables to supermarkets in Manila established its fruit buying station in Davao City, regularly buying mangoes, banana, durian, guava and other fruits from various growers. GEM was also able to interest private investors to consider the establishment of fruit processing facilities in Mindanao.

In mid-2001, GEM convinced Profood International Corp., one of the biggest fruit processors in the country, to process and market a new product—dried calamansi. GEM conceptualized and operationalized the “supply-delivery” scheme for dried calamansi processing to address the seasonal oversupply of calamansi in Mindanao, in close coordination with MinFruit. Improved technology to produce scab-free calamansi was introduced to local calamansi growers who were linked to Profood. This led to breakthrough production and initial delivery of 12 mt of calamansi, earning about PhP168,000 for the growers as compared to only PhP31,000 if the commodity was sold in the fresh market (See **Figure 3-5**). This experience convinced Profood of Mindanao’s capacity to produce large volumes of the right kind of material for dried calamansi processing, while it convinced more growers of the benefit of adopting the improved technology for scab-free calamansi production. A substantial increase in production and delivery is expected by August 2003. GEM also helped Profood identify a suitable site for its fruit processing plant in Davao City and local sources of tropical fruits (e.g., banana, solo papaya, guayabano, etc.). The PhP48 million plant, with a daily rated capacity of 30 mt, has already processed 3,500 mt of fresh fruits into puree and dried fruit products in 2002, for the domestic and export markets. The facility employs 150 people.

Figure 3-5

Targeted Commodity Expansion Program (TCEP) Examples of Results

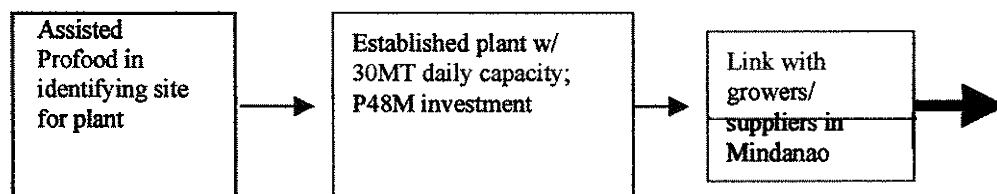
1. Establishment of Cold Chain for Lettuce



RESULTS

- ♦ Increased shipment from 1-1.5tons/week to 3.8tons/week
- ♦ Reduced losses & cost, encouraged more growers

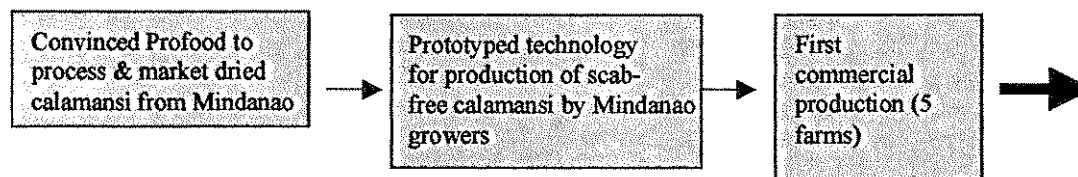
2. Assistance in the Establishment of Fruit Processing Plant in Mindanao



RESULTS

- ♦ Processed 3,500MT fresh fruits in 2002.
- ♦ Processed banana and solo papaya "rejects"
- ♦ processes banana @30MT/day and exports this to Middle East & other Asian Countries
- ♦ Employs 150 people

3. Formation of New Product Supply and Marketing Chain : Scab-Free Calamansi for Dried Processing



RESULTS

- ♦ 12MT scab-free calamansi initially delivered to Profood in 2002
- ♦ Earned P168,000 for growers vs. expected P31,000 if sold in fresh market

3.8.4 Temperate Vegetable Production and Marketing and the Cold/Cool Chain

GEM assistance to Mindanao's vegetable industry targeted two groups, the Vegetable Industry Council of Southern Mindanao (VICSMIN) and the Northern Mindanao Vegetable Producers Association, Inc. (NMVPAI). These are based in major vegetable producing regions in Mindanao. Most of their vegetables were absorbed by local markets.

In cooperation with VICSMIN and NMVPAI, GEM organized training activities mainly for farmer-leaders to introduce and promote the growing of improved varieties of vegetables, innovative production and post-harvest technologies such as the use of plastic seedling tray with soilless media and plastic mulch, and effective farm management practices such as integrated pest management and other environment friendly measures. GEM helped establish temperate vegetable techno-demo farms in strategic sites in the regions' key production areas. An example is the Specialized Vegetable Production and Marketing Initiative (SVPMI) in Kapatagan, Davao del Sur (See **Figure 3-6**). These farms, which were set up in partnership with vegetable seed companies, sought to demonstrate the advantages of using new improved technology in the production of selected crops such as tomato, sweet pepper, cabbage and carrots. Training was complemented by consultative meetings/forums with crop experts, government agencies, input suppliers and other key industry practitioners for institutional networking, technical advisory and troubleshooting concerns. A number of business transactions were generated between the farmers and seed companies and input suppliers. The vegetable producers were also linked to institutional buyers in Manila and Cebu.

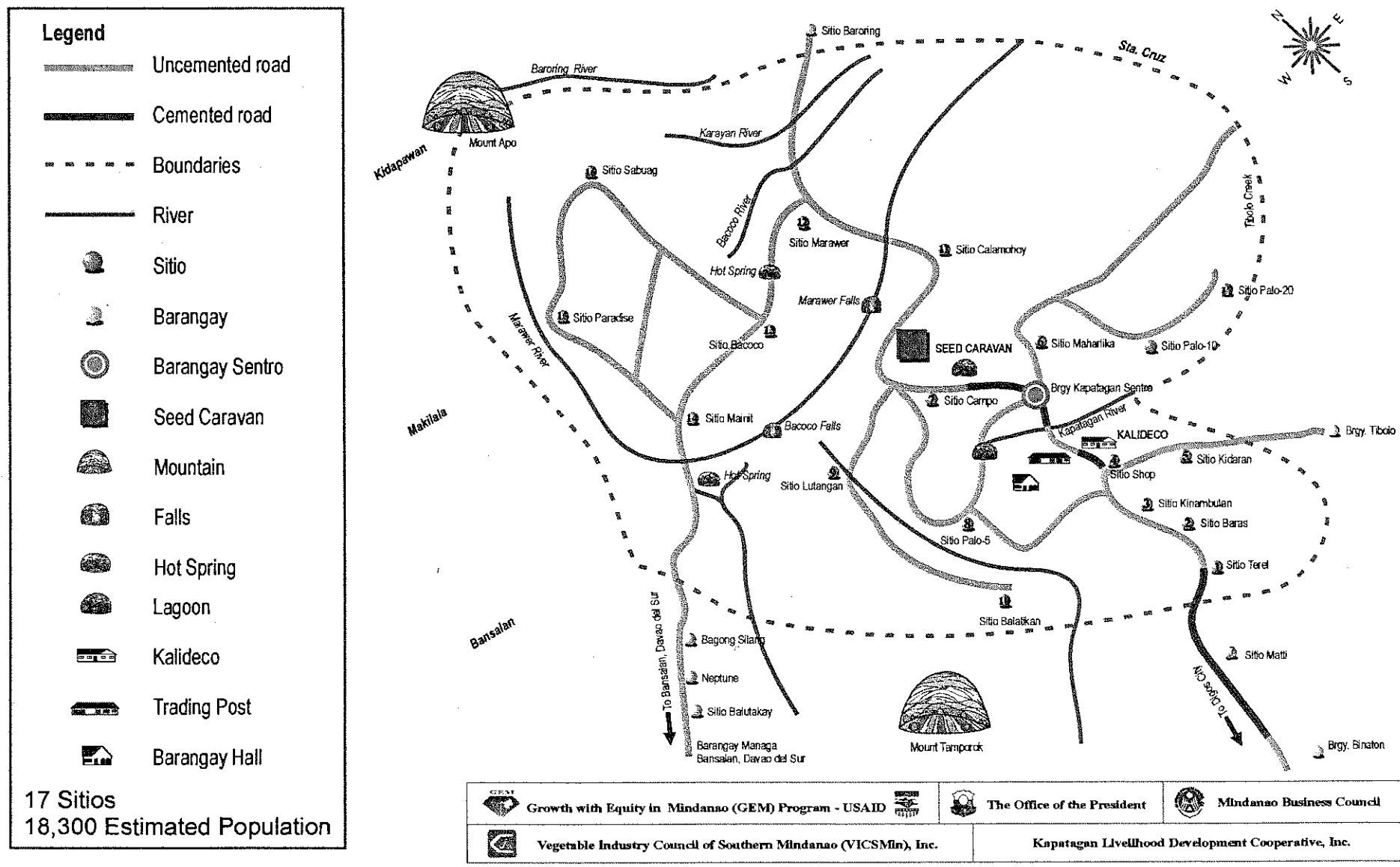
While all these production-enhancing activities were being done, GEM was also concerned with improving the marketing systems for Mindanao's vegetables. The focus was on establishing and demonstrating the benefits of a cold/cool chain system, even on a small scale.

Vegetables were normally transported by jeepneys or trucks from the farm to collection/consolidation centers, where they were put in reused cartons and trucked to major airports to be flown to their Manila or Cebu destinations. This system exposed the perishable goods to residual heat, moisture and manual handling that degrade their appearance and freshness. In February 2001, GEM introduced the use of plastic nestable crates (imported from Taiwan) for use, on a trial basis, by Mindanao growers in harvesting, storing and transporting selected fruits and temperate vegetables. In mid-2001, GEM convinced San Miguel Plastic Products (SMPP) to provide its improved nestable plastic crates to Northern Mindanao vegetable shippers on a rental basis when they shipped their vegetables using refrigerated vans.

SMPP was linked with a group of progressive growers from Bukidnon who were willing to experiment on this arrangement to supply high quality lettuce to their institutional buyer in Manila. GEM then convinced Cryo, which deals with refrigerated vans, to join the project by providing special freight rates to the vegetable shippers until such time that they would have been able to fill a 20-footer van per week.

Figure 3-6

Specialized Vegetable Production and Marketing Initiative (SVPMI) Barangay Kapatagan Sketch Map



The lettuce was harvested in Bukidnon, packed in SMPP crates, initially stored in Mincool's cold storage facility in Cagayan de Oro, then stuffed in Cryo's reefer van, and finally shipped to the buyer in Manila. The key was for every player in the project (i.e., SMPP, Mincool, Cryo, vegetable consolidators) to sacrifice their profits first to prove that shipping by reefer van and plastic crates would, in the long run, be a win-win situation for all of them.

The results of the initial shipments indicated that it would be cheaper for the Bukidnon lettuce growers to ship by reefer van and plastic crates, at PhP10.48 to 13.20 per kg, rather than by air at PhP17 to 20 per kg. The Manila buyer confirmed that lettuce trimmings (unusable portions) went down from over 10% when transported by air to 0-10% when shipped by reefer van and plastic crates. The quality and appearance of the lettuce also improved significantly under the new method and improved the value of the product to PhP50-60 per kg. In order to fill at least one 20-footer reefer van per week, the two participating growers-consolidators who have both been supplying the Manila-based buyer (who, in turn, supplies McDonald's) agreed to share their market with other lettuce growers in Northern Mindanao. Shipment increased from about one ton per week to 3.8 tons per week. With the success of this initial project, the same marketing arrangements are now being prepared for broccoli, sweet corn, edible pod peas, carrots and bell peppers.

Meanwhile, GEM was able to convince the NMVPAI on the need to develop a vegetable trading center modeled after the La Trinidad Vegetable Trading Post in Luzon. The proposed Mindanao facility would serve as an alternative to the existing Agora Vegetable Landing in Cagayan de Oro, which is crowded, disorderly and inefficient. GEM prepared a feasibility study for the trading post and produced a video tape of the La Trinidad model, which NMVPAI is now using to look for interested investors to finance the project.

3.9 Conclusion

The GEM Program sought to accelerate the transformation of the island economy into a vibrant, progressive and sustainable one. In so doing, the underlying goal was to increase the participation of Mindanao's marginal groups in this development and to allow them to equitably share in the socioeconomic benefits of such development. Helping improve the lives of Mindanao's farm and fishing families, including those belonging to religious and cultural minority groups, was indeed a challenging task.

GEM provided support to farmers and fisherfolk in a variety of ways. Its assistance ranged from the relatively simple task of linking them to buyers to the complex work of packaging multi-million peso strategic investment projects that would benefit thousands of local producers as well as traders, input suppliers, support service providers, and ancillary enterprises. In all cases, however, the aim was to improve the incomes of as many farm and fishing families as possible.

GEM was able to facilitate 189 contract growing arrangements, sales and marketing agreements, and key agribusiness enterprises worth PhP9.5 billion. Some GEM-assisted agri-based, fishing and aquaculture projects were either stalled or not sustained over time due to factors beyond the control of GEM or its participating farmer/fisherfolk beneficiaries (e.g., natural calamities, Asian financial crisis, proprietary business decisions of principal investors, etc.). The majority are,

however, successful projects that continue to thrive today and provide much higher incomes for their proponents/ beneficiaries.

From 1996 to 2000, it is estimated that over 78,000 farmers and fisherfolk in Mindanao were assisted by GEM through technology transfer training activities (See **Annex 3-C**). According to assessments, over 56,000 of these have produced or expanded production of higher valued crops or fisheries products because of the GEM Program, and have improved their incomes by over 100%. About 18% of the beneficiaries are Muslim, excluding the more than 13,000 former MNLF combatants assisted by ELAP. About 23% of the beneficiaries are women and 14% belong to indigenous communities. The TCEPs for the vegetable, fruits, and peanut sectors assisted about 1,800 additional farmers in 2001-2002 (See **Annex 3-D**).

These are the Program benefits that are known. Based on assessment surveys on the impact of GEM which were conducted in 1998 and 2000, the above estimates are still considered conservative.¹⁰ The surveys were able to quantify the benefits of GEM-assisted projects that led to increased investment and trade (See **Annex 3-E**). It is not possible, however, to estimate the number of additional producers or jobs created by many of GEM training, trade and investment promotion, and policy advocacy support activities. Nor is it possible to comprehensively estimate the number of producers, for example those in nearby communities, who may have replicated projects initiated due to GEM assistance. If these could be counted, the numbers of beneficiaries would be higher. Replicators of GEM-assisted agri-based projects tend to enjoy benefits similar to those of the original project participants.

The TCEP and BSO strengthening programs have also significantly contributed to the development and sustainability of key industries in Mindanao on which thousands of farm/fishing families depend for their livelihood. If one were to assume, for example, that only 10% of the estimated 50,000 people involved in the fishing sectors and 100,000 seaweed growers have benefited from GEM assistance to the development of their respective sectors, this would add at least 15,000 additional GEM beneficiaries.

GEM's impact, however, should be seen beyond mere statistics. Among its more important contributions to Mindanao's development is the greater sense of self-reliance and confidence that many of its farmer/fisher beneficiaries have gained from participating in more productive endeavors and organizations in Mindanao.

¹⁰ In January 1998 and February 2000, USAID commissioned the Mindanao State University-General Santos City Foundation, Inc. to conduct independent surveys on the impact of the GEM Program on farming/fishing families in Mindanao.

Chapter 4

**GEM Assistance to
Business Support
Organizations**

4.0 Introduction

Business firms in Mindanao are largely composed of small and medium enterprises primarily engaged in agriculture, representing the major source of employment and economic growth in the region. A primary goal of the GEM Program was to provide assistance to as many of these agricultural enterprises as possible. In 1997, GEM designed the TCEP to focus agribusiness support on key agricultural, mariculture and fisheries sectors. GEM assistance to these TCEP-supported commodities led to a need to organize cooperatives, federations, processors and input suppliers into sectoral Business Support Organizations (BSOs), primarily producer associations. In 1998, the strengthening of these BSOs and the Mindanao Business Council became strategic components of the GEM Program.

In recent years BSOs, with GEM assistance, have developed into increasingly important voices of these SME sectors to promote innovation and needed policy change crucial to accelerating private sector economic growth in Mindanao. The GEM Program helped the region's key BSOs build organizational capacity in such important areas as financial and program planning, revenue generation, service delivery, communications, governance, policy advocacy and strategic networking. It was also important for the program to help ensure the sustainability of these organizations.

GEM helped strengthen the capability of 26 BSOs representing some 80,000 firms, cooperatives, workers, farmers and fisherfolk. GEM helped create eight important producer associations. In conflict-affected areas, four new business organizations were formed and five existing chambers were revitalized. In 2001, membership of GEM-assisted organizations increased by 70%. A complete list of these organizations can be found in **Figure 4-1**.

GEM's primary BSO counterpart was the Mindanao Business Council (MBC). The membership of the MBC was expanded, with GEM encouragement and assistance, from being simply an organization of chambers to include producer associations. The MBC membership was also broadened to include a number of Muslim business organizations (three members now sit on MBC's 15-member board). By the end of GEM, MBC has been firmly established as the leading advocate for necessary policy reform needed to improve the business environment in Mindanao and strategic partnerships were created between the MBC and business organizations in Manila, the Office of the President and other USAID projects such as the AGILE and TAG Projects. The Council is now recognized nationally as the most effective advocate of the private sector and a catalyst for economic development in the region.

GEM's early assistance to farmers and fisherfolk focused on individual firms and cooperatives. In its second year, GEM began to focus on strategic agricultural and aquaculture sectors in an effort to increase program impact. Since there were few producer associations to work with, GEM helped create them. The eight new producer associations created with GEM assistance represented the following industries: fishing, fruit, agroforestry, seaweed, peanuts, vegetables and mango. Examples of particularly important producer associations created with GEM assistance are the SOCKSARGEN Federation of Fishing Associations and Allied Industries and the Western Mindanao Seaweed Industry Development Foundation.

Figure 4-1

GEM-Supported Business Support Organizations

CONFEDERATIONS OF BSOs

1. Mindanao Business Council
2. ARMM Business Council ● ■

PRODUCER AND TRADE ASSOCIATIONS

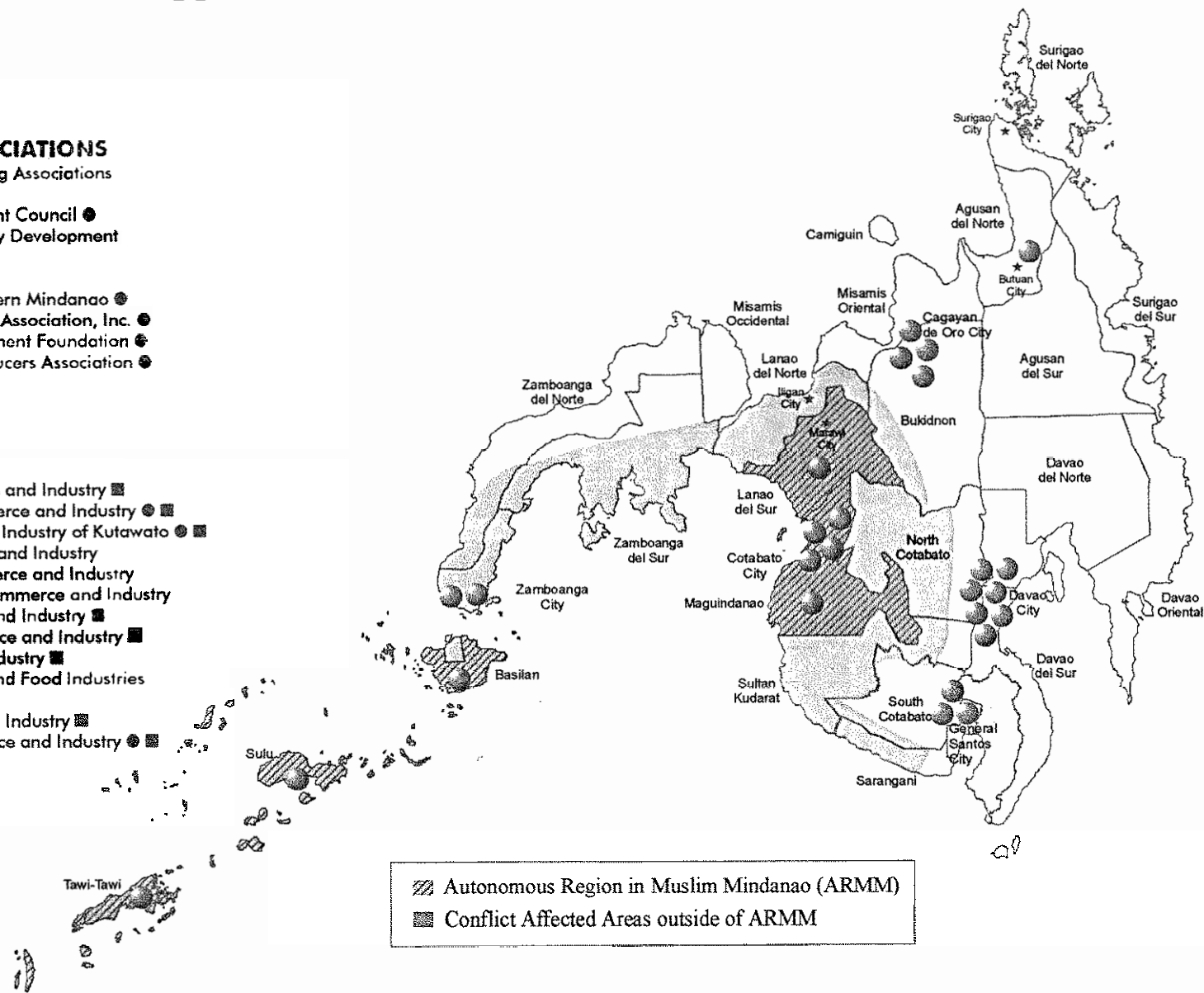
3. SOCSKARGEN Federation of Fishing Associations and Allied Industries, Inc. ●
4. Mindanao Fruit Industry Development Council ●
5. Western Mindanao Seaweed Industry Development Foundation, Inc. ● ■
6. TREES Mindanao ●
7. Vegetable Industry Council of Southern Mindanao ●
8. Northern Mindanao Peanut Industry Association, Inc. ●
9. Mindanao Mango Industry Development Foundation ●
10. Northern Mindanao Vegetable Producers Association ●
11. Mindanao Trade Expo Foundation
12. Davao Tourism Association
13. Wood Mindanao ● ■

CHAMBERS OF COMMERCE

14. Zamboanga Chamber of Commerce and Industry ■
15. Metro Cotabato Chamber of Commerce and Industry ● ■
16. Muslim Chamber of Commerce and Industry of Kutawato ● ■
17. Davao City Chamber of Commerce and Industry
18. Butuan-Agusan Chamber of Commerce and Industry
19. General Santos City Chamber of Commerce and Industry
20. Tawi-Tawi Chamber of Commerce and Industry ■
21. Maguindanao Chamber of Commerce and Industry ■
22. Sulu Chamber of Commerce and Industry ■
23. Chamber of Agriculture, Fisheries and Food Industries of Northern Mindanao, Inc. ●
24. Marawi Chamber of Commerce and Industry ■
25. Basilan Island Chamber of Commerce and Industry ● ■
26. Muslim Business Forum ■

● - Created with GEM assistance

■ - Located in Conflict-Affected Areas



▨ Autonomous Region in Muslim Mindanao (ARMM)

■ Conflict Affected Areas outside of ARMM

With GEM technical and financial assistance, Mindanao BSOs have been able to provide efficient services to their members, and conduct successful policy advocacy. They have met the basic requirements for effectively functioning BSOs: having a permanent physical presence (i.e., an office), basic communications facilities (phone, fax, computer, email), and full time professional staff. They have also operationalized financial and strategic business plans, along with procedural systems and tools one would expect in an efficient organization.

GEM was particularly active in helping to build and strengthen BSOs in conflict-affected areas. From 2000 to August 2002, GEM enabled a number of Muslim private sector organizations to begin to effectively serve their members and successfully advocate for policy reform. For the first time, Muslim business support organizations were included in the mainstream of Mindanao's business community.

4.1 Description of GEM Assistance

GEM's BSO program has been assisting Mindanao's business support organizations to build their capacity in a number of key areas: financial and work planning, revenue generation, service delivery, communications, governance and strategic linkages.

Developing and Strengthening Financial Sustainability. A key concern was developing the capability of BSOs to raise and manage financial resources to adequately support their operations and outreach services, and to expand these services. GEM assisted the BSOs in evaluating their current and projected financial requirements and opportunities to develop new sources of income.

Developing and Strengthening of Internal Organization. GEM provided advisory assistance and support for BSOs to develop their internal organizations (by-laws, structures, procedures, strategic planning), expand membership, develop strategic organizational units, manage organizational growth, and attain financial sustainability.

Personnel Training. GEM supported training activities for emerging professional BSO internal service departments in financial management, administrative procedures, personnel recruitment and development, facilities management, and trade association secretariat management. Orientation sessions for members of the Board of Trustees of the target BSOs on board governance was also provided.

Developing Business Services. GEM provided advisory assistance and support for the development and implementation of appropriate and self-sustaining BSO business services focused on the following areas: business information, business assistance, trade information collection and dissemination, credit information, member services, business representation (lobbying), and policy advocacy.

Organizing and Strengthening Affiliations with Sectoral or Trade Associations. GEM provided advisory assistance and support for sectoral or trade association strengthening, servicing and affiliation to BSOs, specially within the ARMM and conflict-affected areas. The assistance included linking sectoral associations to their counterparts in other target areas and to line

agencies and other organizations (i.e., partner organizations and donor programs) extending assistance to specific sectors.

Improved Networking. GEM provided advisory assistance and support for the networking of services and formal relationships among BSOs, specifically in the areas of business assistance, trade information, business representation, extension of outreach services, and policy advocacy through periodic joint activities, communications and publications.

GEM used the institutional assessment of MBC prepared by Laurel Druben in October 1999, and the earlier BSO review report written by Kay Calavan, as reference documents for developing the assistance and support strategy for these organizations, along with the scope of work outlined in the 2001 GEM extension amendment. These documents recognize that institutional strengthening and capacity building are continuous processes that require regular revision, particularly in the area of good governance which is problematic for institutions all over the world. With the additional support made available, GEM was able to increase the level and intensity of technical support provided to the short list of 10 target organizations, and to add an additional 14 business support organizations to the program.

Presented in **Annex 4-A** are the (a) organizational development framework for an organization; (b) an organizational diagnostic framework; and (c) an organizational level evaluative tool used to assess the sustainability level of organizations.

4.2 GEM Support to the Mindanao Business Council

4.2.1 Policy Advocate for Mindanao Firms, Farmers and Fisherfolk

The Mindanao Business Council started as a chamber of Chambers and later expanded to include producers associations and private sector business development associations. With GEM assistance, the Council has established itself as the leading advocate for Mindanao private sector interests. It has institutionalized a policy advocacy and consultation process that includes identification of priority issues through consultations; policy research that is empirical and includes impact analysis and recommendations; policy advocacy coordinated with other government and private sector organizations (e.g., MEDCo, AGILE, MLA, MINCODE, etc.) in major conferences; and follow-up and monitoring of policy changes (See **Figure 4-2**). Three of MBC's media tools are the Mindanao Report magazine (See **Figure 4-3**); "Mindanao One" column in the Philippine Daily Inquirer; and MinBizTalk, a television talk show about doing business in Mindanao.

A milestone of MBC's involvement in policy advocacy was the regular completion of an annual series of regional consultation workshops that GEM assisted as part of the MBC policy reform effort. The workshops, which discuss pressing issues and concerns, have led to a new focused agenda for the business community in Mindanao. Referred to as "Mindanao Business Policy Agenda 2002-2003", it focuses on policy reforms in the following priority areas:

- Peace and development;
- High shipping costs (high freight rates, inadequate port facilities, etc.);

Figure 4-2

MBC Policy Advocacy and Consultation Process

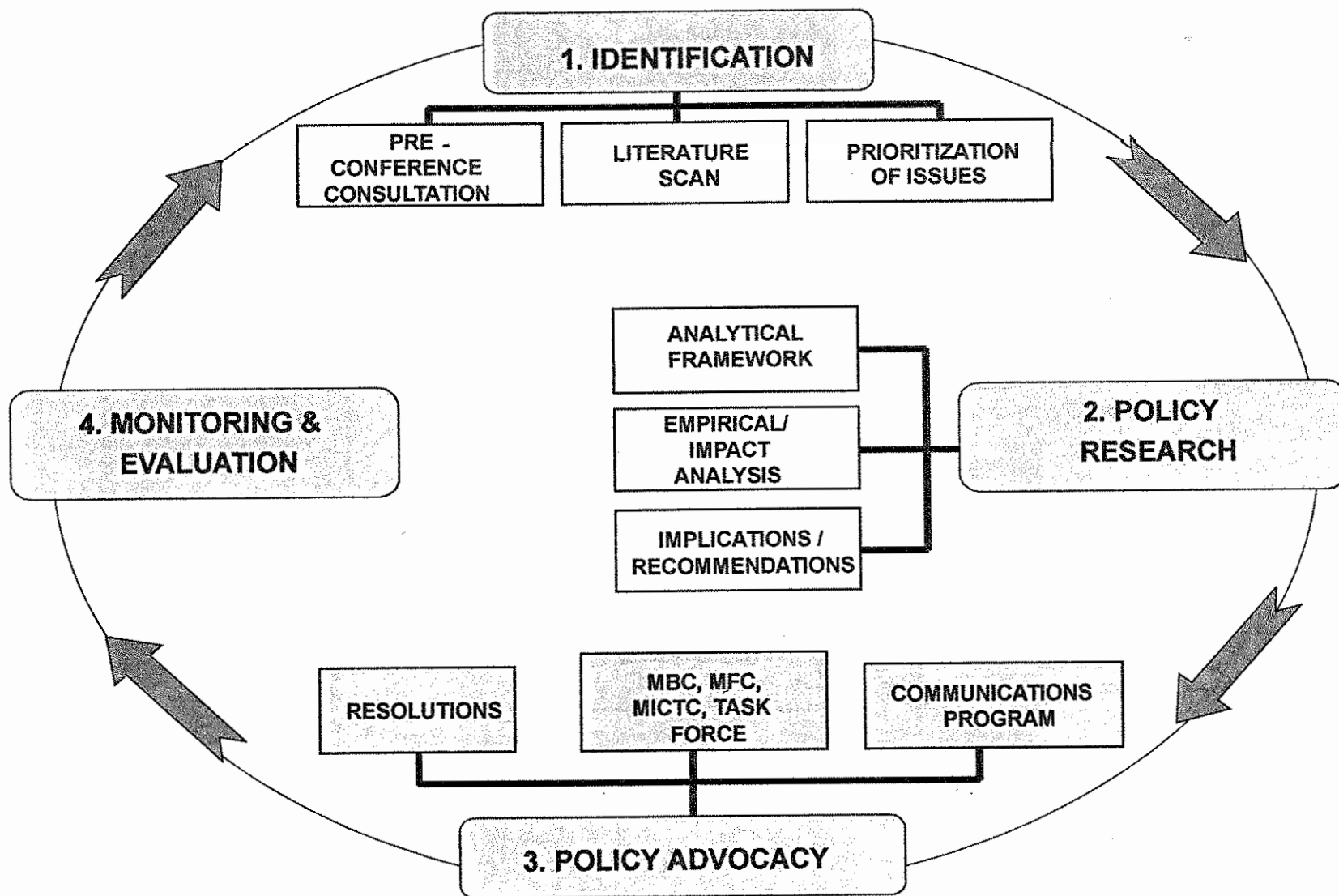


Figure 4-3

MBC's The Mindanao Business Report

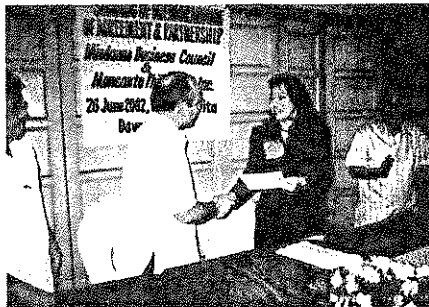
(Back Cover)



Building partnerships



for a better



Mindanao

**TRADE and
SECRETARIAT
SERVICES**



The Mindanao Business Council is the coordinating body of the 42 chambers of commerce and key trade/producer associations in Mindanao. Since 1995, it has firmly established itself as the only Mindanao-wide business sector support organization committed to policy research and advocacy. As a result, it is now considered by Malacañang and other government/private sector agencies as the most influential business organization in Mindanao.

POLICY ADVOCACY



**MARKETING and
COMMUNICATIONS**



Our corporate members enjoy ready, up-to-date services in market research, trade information, business matching, events organization, and marketing communications. They are always kept apprised of the latest business trends in Mindanao, thereby enabling them to make sound and timely decisions about where, when, and how to do business in Mindanao.

- Lack of appropriate or adequate infrastructure facilities; and
- Bureaucratic red tape and corruption.

The Agenda is regularly presented at important economic fora and major business conferences (e.g., the MinBizCon) and regularly updated. It was based on an assessment of the Council's advocacy efforts for the last five years, including an analysis of the resolutions passed from previous MinBizCons and the gaps or issues that need further action.

With GEM assistance, resolutions passed during these business conferences were monitored and followed up aggressively until the policy advocacy actually resulted in reforms. Through the Presidential Management Staff, MBC regularly contributed talking points for speeches of the President of the Philippines to be given at business congresses in Mindanao, in Manila and during foreign state visits.

4.2.2 Infrastructure and Transport Policy Advocacy: A MBC Success Story

As the “voice” of the Mindanao business community, MBC worked closely with MEDCo, OPAMIN, the 47 Mindanao Congressional representatives composing the Mindanao Lawmakers Association (MLA), and with various Mindanao-wide industry development councils and BSOs in advocating for increased annual infrastructure budgets for Mindanao. This effort resulted in a significant increase in Mindanao's share of the national infrastructure budget from 11% (in the 1980s and early 1990s) to over 27% (present). MBC has also been aggressively addressing transport policy through its efforts to reduce the high cost of shipping from Mindanao. GEM organized the first encounter in Manila between MBC and the Coalition of Ports Modernization, now called the Coalition of Ports and Shipping Modernization (CPSM). AGILE, another USAID-funded program, has been providing technical assistance to the Coalition. The meeting linked the two organizations and this resulted in MBC's support and affiliation with the Coalition. GEM provided regular technical advice on shipping issues and facilitated the planning sessions between MBC and the Coalition leading to an agreement in principle for MBC to support two major initiatives of CPSM: piloting of a full Roll-on/Roll-off (RO-RO) shipping service for Manila-Cebu-Mindanao route and studying a cost-based rate setting methodology.

4.2.3 Service to Members and Clients and Revenue Generation

A “quick response system” has been created to enable MBC to respond to inquiries from members and to quickly respond to emerging policy issues. An integrated www.mindanao.org (created by GEM) and MBC website has helped increase awareness of MBC and widened its outreach. MBC provided guidance, on the request of the Zamboanga-Sandakan Business Council, regarding the opening of a Malaysian-owned Maybank branch in Zamboanga City. GEM continued to support MBC in its regular effort in convening stakeholders and establishing a network that will lead to more business opportunities. The high turnout of local and foreign delegates in important annual business conferences with business matching and trade exhibits has helped forge business agreements and purchase orders. MBC has been requested by the government to lead the private sector in efforts to increase regional cooperation and by responding to requests for trade data for foreign business missions and visits. Talks with the Phil-Australia Business Council and the Australia-New Zealand Chamber of Commerce created

awareness of business opportunities for service contractors to Northern Territories' meat and livestock industry.

The GEM program has worked side by side with MBC from its inception, providing both financial support (approximately US\$50,000 a year for the preceding four years) and hands-on technical support. The high profile of the MBC, due in large part to GEM assistance, has made it a preferred "partner" institution for Mindanao projects and initiatives, opening up new opportunities for increased project-based revenues. This high profile has also enhanced the effectiveness of MBC's policy advocacy. Still, a sufficient endowment will be critical for the MBC to undertake and support an expanded policy agenda and to field a strong communications program in the long term.

4.2.4 Summary of MBC's Accomplishments:

- A strong core professional staff is in place, including a Marketing/Communications Director, an Office Administrator, and a Policy Specialist.
- Financial and strategic business plans have been refined and extended:
 - Monthly financial reporting tools in place.
 - Standard operating procedures established, including the development of office manuals for administrative procedures.
 - By-laws amended to include five additional seats on the Board for non-chamber business support organizations.
- Producer and trade organizations joined MBC in 2001:
 - Northern Mindanao Peanut Industry Association (NMPIA)
 - Western Mindanao Seaweed Industry Development Foundation, Inc. (WMSIDFI)
 - Philippine Banana Growers and Exporters Association (PBGEA)
 - Mindanao Association for Mineral Industries, Inc. (MAMII)
 - Chamber of Agriculture, Fisheries and Food Industries of Northern Mindanao (CAFFINORMIN)
- Strategic linkages were formed with key producer associations and private sector business development organizations. Representatives from eight of these organizations now sit on the MBC Board of Trustees:
 - SOCKSARGEN Federation of Fishing Associations and Allied Industries, Inc. (SFFAAII)
 - TREES Mindanao
 - Mindanao Fruit Industry Development Council (MinFruit)
 - Muslim Business Forum (MBF)
 - CARAGA Economic Development Council
 - Mindanao Trade Expo Foundation
 - CAFFINORMIN
 - NMPIA

- The Makati Business Club became an important strategic partner in 2001. The Makati Business Club and MBC work together on policy advocacy and revenue generation activities.
- Strategic linkages were formed with academic institutions and NGOs as research resources and partners for MBC's policy advocacy and programs:
 - AGILE
 - Ateneo de Davao
 - Alternative Forum for Research in Mindanao (AFRIM)
 - Philippine Exporters Foundation (PHILEXPORT)
 - Mindanao Coalition of Development NGO Networks (MinCode)
 - University of the Philippines in Mindanao (UPMin)
 - Philippine Business for Social Progress (PBSP)
- MBC took the lead in including and engaging the Muslim business community in its activities, and in the private sector mainstream. GEM provided encouragement and technical assistance, as well as the initial introductions to the MBF and the Cotabato City Muslim Chamber.
 - MBF invited to become a member of MBC
 - MBF elected to a seat on the MBC Board and on the MBC Management Committee.
 - MBF invited to co-host the 9th Mindanao Business Conference.
 - MBF and MBC collaborated for the 1st BIMP EAGA Muslim Business Summit
 - MBC assisted in the creation of the ARMM Business Council.
- MBC was the first business organization to speak out in behalf of the private sector during the 2000 conflict with the MILF and the national political crisis:
 - Open letter from the business community on the Mindanao crisis and Fernandina Forum (media affair) appearances assisted by GEM.
- MBC was regularly consulted by government, media and the community on Mindanao issues:
 - Addressed the Senate inquiry on emergency powers in 2000.
 - Requested by President Arroyo to be one of five private sector representatives in the executive committee for the economic summit to develop the Philippine Socio-Economic Action Agenda for 2002-2003.
 - Invited by Lt. Gen. Edgardo Batenga, Chairman of the GRP-SPAG Peace Panel, to present the business sector's perspective on the Mindanao situation.
 - Participated in major Mindanao events.
 - Figured in regular TV and press coverage.
- MBC took the lead in convening important policy consultations:
 - Shipping Forum and Dialogue with the Philippine Inter-island Shipping Agency, Philippine Ports Authority, exporters, and other stakeholders.
 - 1st Mindanao Congress on information technology.
 - Meeting on implementation of new electric power bill.

- Forums on Transparency and Governance.
- MOA with DILG Secretary Jose Lina to promote transparency in local government units.
- MBC recommendations and interventions resulted in visible changes:
 - Influenced the shift in the wording of the bill empowering President Arroyo to deal with the economic crisis (from “emergency powers” to the more acceptable “special economic powers”).
 - Reversal of DOT assessment of Davao City as an unsafe tourist destination.
 - Contributions to President Arroyo’s speeches at the 9th and 10th MinBizCon and other MBC events.
 - MBC position paper on the proposed plastics tariff which influenced the decision to delay its implementation.
- MBC’s advocacy efforts also assisted in the following:
 - Approval of trial testing for GMO crops.
 - Extension of the BIMP-EAGA travel tax exemption.
 - Repeal of EO 59 which limited competition in port operations.
 - Leveraging of MBC members’ policy advocacy positions (e.g., the Al-Amanah Bank and the tariff on tuna products) for more effective results.
- MBC secured the commitment of high level BIMP-EAGA delegations to attend the 9th and 10th MinBizCons.
- Increased positive press coverage of Mindanao with the staging of successful events:
 - The 2nd, 3rd and 4th Mindanao Food Congress
 - The 9th, 10th and 11th Mindanao Business Conference
 - Mindanao Investment Forums in Sabah
- Developed internal communications capabilities with the help of the GEM communications and BSO teams.
 - Released stories and photos to the media twice a week.
 - Arranged/co-organized press conferences and media forums.
 - Generated “*Mindanao One*” column, a twice-monthly business editorial column in the Philippine Daily Inquirer.
 - Hosted communications workshop for other Mindanao BSOs.
 - Instituted regular media monitoring and tracking.
- Attracted new projects and project funding for:
 - Position paper entitled “*Six-month Private Sector-Led Economic Recovery Plan*” funded by the Asia Foundation, and follow-on project with the Asia Foundation.
 - One-year project with the Department of Agriculture.
 - Annual IT event with DOST and other partners.
 - Special meetings convened and managed on a fee basis (e.g., the Competitiveness Project sessions).
 - PBSP and AFRIM research project.

- GEM provided support to MBC's revenue generation efforts in maximizing in-kind contributions, using the MBC "name" to raise money for events, convene groups and compete for special project funds. MBC received commitments worth US\$24,000, some donations in-kind, a service contract valued at US\$6,000, in addition to a one million peso (US\$22,000) donation from the Philippine Daily Inquirer in advertising space, which is being monetized by MBC. It has included a service agreement with JE Austin and Associates for the conduct of competitiveness workshops for a contract price of US\$4,500 and with Philippine Interisland Shipping Association to prepare a trade and shipping volume study for US\$5,000. Of Monsanto's commitment of US\$20,000 over five years, MBC received the first tranche of US\$4,000, and Sun Microsystems donated 200 CDs of licensed Star software.
- In 2001, MBC, in line with the strategic business plan formulated with GEM help, began to build its trade and investment capabilities to be able to fulfill its envisioned role as an "enabler" of trade and business linkages. In 2002, in partnership with the government, MBC focused on activities designed to revitalize BIMP-EAGA trade links:
 - Participated in official business delegations during President Arroyo's first state visits to Brunei, Singapore, and Indonesia.
 - Organized and hosted dialogues and trade exhibits with foreign chambers.
 - Organized a "Mindanao" Investment Room at the annual Manila Philippine Business Conference in Manila.
 - Organized and hosted investment forums and meetings with official BIMP-EAGA business delegations to Mindanao.

4.3 GEM Support to Producers and Trade Associations

4.3.1 SOCKSARGEN Federation of Fishing Associations and Allied Industries

The SFFAAII, created with GEM assistance, is composed of eight associations that represent approximately 50,000 mostly small and medium scale fisherfolk and employees belonging to 73 cooperatives, fish processors and canners, and larger commercial fishing enterprises. Its work has benefited tens of thousands of residents in the General Santos City area. The Federation focused on key industry concerns and soon exerted a major influence on government fisheries policy. GEM helped organize the Federation, increase the number of fishermen using the more sustainable handline method to catch tuna, increase the mesh sizes in purse seining fishing nets to minimize the catch of undersized and juvenile fish, and increase the value added of fish landed in General Santos City. Harnessing the collective lobbying power of its members, the Federation assumed an influential role in the adoption and revision of government policies and attitudes affecting the fishing industry. GEM assisted the Federation in successful efforts to assure that the Philippine Government participated in an international agreement to manage the catch and sustain the fisheries resources in the Central and Western Pacific and to sign an Indonesian-Philippine Fisheries Management Cooperation Agreement.

This Federation was the result of a sustained effort by GEM in response to the felt need for the fishing industry stakeholders to unify. GEM brought the partners together and helped the group strengthen not only its own regional organization, but also its leadership role in creating a

national tuna industry organization. GEM provided initial “seed” co-funding for the Secretariat and some activities (US\$22,000 over two years), while the Federation demonstrated its ability to quickly mobilize both private and government sector support and resources for its programs. On the technical side, GEM conducted workshops on fish quality improvement, longline fishing methods, bio-economics of net mesh size, and improvement of handline fishing techniques.

In a continuing bid to sort out problems confronting the tuna industry, the Federation sponsored four successive National Tuna Congresses (1999 through 2002). Each time, the event managed to assemble over 200 senior officials from government and industry to discuss relevant issues and programs. GEM provided technical, administrative, and financial support.

Summary of SFFAAII accomplishments:

- Strategic business and financial plans developed and updated annually.
- Membership assessment instituted to be equally shared between the Federation and individual associations (PhP0.10 per kilo of tuna delivered to the canneries). This is the federation’s principal revenue source, contributing to the strengthening of member associations.
- Assumed an active role in multilateral and bilateral fishing industry negotiations: Palau Fishing Access, Indonesian Joint Venture Proposals, and Indonesian Fishing Access. These resulted in the signing of a Philippine-Indonesian Fishing Access Agreement on January 10, 2002.
- The Federation’s direct intervention led to the fielding of a high level government delegation, with the authority to negotiate and sign on behalf of the Philippine Government, in the 7th Multilateral High Level Conference for Coordination Management of Highly Migratory Fish Stock (MHLC) in Hawaii. Without this GEM-assisted intervention, Philippine fishing fleets were not likely to get access to valuable fishing resources in the Pacific.

Other results:

- The Philippines was one of 20 signatories in the final UN Convention on the Law of the Sea (UNCLOS) relating to the conservation and management of straddling and highly migratory fish stocks. The Philippines was the swing vote in the adoption of the convention.
- As a signatory, the Philippines will now be subject to international standards and the application of sustainable fishing practices.
- The Philippines is now included in the western boundaries of the convention and recognized as a partner of the Pacific Island Resource Holders.
- The Philippines was able to negotiate a favorable position in the final text on virtually every issue of importance to the local fisheries sector.
- The November 2002 round of international talks on the MHLC was hosted by the Philippines.
- Took the lead in the formation of the Philippine Tuna Council, a National Tuna Industry Confederation, and an international body of large tuna boat owners to address sustainable fish stock issues.

- Organized the 1st through 4th National Tuna Congresses.
- Formed strategic linkages to strengthen effective policy advocacy, together with the MBC, LGUs, BFAR, DA, and other institutions.
- Undertook an industry assessment with the University of Asia and the Pacific and GEM.
- Linked with GEM assistance to Business for Social Responsibility, a US-based business support organization, to participate in an international seafood industry working group.
- As a measure of its success, the Chair of the Federation was asked by the Philippine Secretary of Trade during the WTO negotiations in late 2001 to explain the details of the Federation's position on the EU tuna tariff.

4.3.2 Mindanao Fruit Industry Development Council

The Mindanao Fruit Industry Development Council (MinFruit) is a non-profit private sector advocacy and business service organization made up of local fruit industry associations. GEM helped organize the Council and provided technical support and financial assistance for equipment, travel and staff costs on a cost-sharing basis.

MinFruit provides members with training, advice and assistance in developing business and financial plans; access to cost effective production, post-harvest and processing technology; preparation for local growers to meet national and international standards for products and packaging; and product marketing. The Council also advocates for policy reform conducive to the growth of the fruit industry in Mindanao.

MinFruit has developed a strong track record, with the original business and financial plans reviewed, improved, and extended for five years. The Council is employing partnering strategies and providing value added services, including the delivery of training and conference organizing, to meet its program, sustainability and financial objectives.

Summary of MinFruit accomplishments:

- The first year's (2000) modest revenue generation goal (PhP1,177,500) was met and the operational costs were 10% under budget.
- Membership increased to 32, composed of 17 cooperatives, five corporations, and 10 fruit councils and associations representing over 2,500 farmers. The Council continues to work with new growers associations, co-operatives and councils to help strengthen their organizations and join MinFruit.
- Held the 2nd National and 4th Mindanao Mango Congresses in Davao City in July 2000, with a total attendance of 645 persons, 30% more than forecast.
- MOA with the DA for a PhP2.5 million Mindanao Fruit Marketing Program as a direct result of the Mango Congress in 2000.
- Held the 2nd Mindanao Fruit Industry Conference in Davao City in November 2001, with more than 400 participants.
- Published and sold a *Mango Fruit Suitability Map* and *Fruit Buyers Guide*, printed with GEM assistance.

- Implemented a series of trainers training workshops for current and prospective member associations to help them develop plans for revenue generation and long term sustainability, and help them respond to the expectations of a global market.
- 210 farmers received technical training for mango production under the MinFruit producer efficiency training program.
- Established linkage with MBF to reach out to Muslim businessmen in the fruit industry; technology transfer and training events conducted together with the MBF.

4.3.3 Western Mindanao Seaweed Industry Development Foundation, Inc.

The Western Mindanao Seaweed Industry Development Foundation, Inc. (WMSIDFI) represents over 100,000 seaweed farmers in Western Mindanao and the Sulu Archipelago. It is composed of seaweed farmer associations and cooperatives, traders, exporters and processors. The Foundation has improved the sustainability, profitability and competitiveness of the Western Mindanao seaweed industry and, consequently, the incomes of 100,000 poor, mostly Muslim, seaweed farming families. Western Mindanao is one of the areas most affected by conflict. GEM helped seaweed farmer organizations federate, helped bring in the first seaweed processing plant investment in Western Mindanao, and helped mobilize resources from the Philippine Government and international donors to support the development of the seaweed industry. Also, assistance was provided to bring research activities from Philippine universities into the area to help address seaweed disease problems and to obtain national government resources for the development of a laboratory to address not only disease problems but also quality control in the seaweed industry.

GEM assistance to the seaweed sector stemmed from its earlier support to ELAP seaweed farmers. The Foundation was formed to address issues that threatened the competitiveness of the Western Mindanao seaweed industry and the livelihood of seaweed farming families. It is focused on improving seaweed varieties, harvest and post-harvest handling, other quality enhancement initiatives such as technical training, and the development of voluntary product standards. To ensure sustainability, the Foundation plans to levy an assessment fee based on weight of products delivered to processing plants. The fee will be applied to the Foundation's operational funding needs, in addition to project funding from assistance partners. GEM provided technical assistance to the Foundation and to the seaweed industry, in addition to co-funding Foundation staff, office equipment, and major activities such as the annual Seaweed Congress.

Summary of WMSIDFI accomplishments:

- Signed MOA to form the Foundation at the 1st Seaweed Congress in 2000.
- Held industry strategic planning workshop in late July 2000, where the Western Mindanao Seaweed Traders and Exporters Association was formed.
- Expanded membership to 97 co-operatives and associations, with more new members expected as provincial councils are set up in Zamboanga del Sur, Sulu, Basilan and Tawi-Tawi.

- Established minimum procurement quality criteria for three key parameters established by the Traders and Exporters Association. Procurement specifications were instituted and are being monitored.
- Developed an industry development plan with assistance partners (government agencies, LGUs, academic institutions and donors) to coordinate and maximize efforts.
- Arranged for the Chair of the Foundation to represent Mindanao's seaweed industry in the national technical working group for the seaweed industry.
- Included in the Seaweed Inter-Agency Task Force as the only private sector member.
- Developed institutional business and financial plans and continue to update them annually.
- Launched a "Business Center" that charges fees for services.
- Established two seedling nurseries, with another two underway.
- Established a Seaweed Research Center in Zamboanga City in coordination with BFAR and the Office of the City Agriculturist.
- Secured funding from the British Embassy for seaweed solar dryers.
- Hosted the 2nd and 3rd Seaweed Congresses in 2001 and 2002.
- Conducted more than 15 technology transfer training events with 485 farmers participating.
- Mobilized the Seaweed Inter-Agency Task Force and established a quick response team to aid seaweed farmers victimized by a freak storm that damaged 70% of the seaweed farms in Zamboanga City in 2001.
- Started an outreach program for technical training to business support organizations in Basilan and Sulu.

4.3.4 TREES Mindanao

With GEM support, the Total Reforestation for Economic and Ecological Sustainability (TREES) Mindanao was organized by various industry stakeholders concerned with promoting the development and expanding production of industrial trees, agroforests, and wood products in Mindanao. (The executive director is a former GEM staff member who had worked extensively with Mindanao tree farmers). GEM continues to provide technical assistance, particularly in policy advocacy, institutional capacity building, establishing linkages with like-minded institutions, assistance in identifying and pursuing funding opportunities, as well as providing funding support (approx. US\$34,000 over two years).

While there are existing business and financial plans for the national TREES organization, TREES Mindanao realigned its own plans to provide a sustainability strategy for the Mindanao office. It also focused on securing major project funding from Japan and other potential international donors. With its environmental thrust, revenue generating possibilities for TREES Mindanao differ from that of other BSOs. It has linked with organizations that have similar sustainable development goals with the aim of developing proposals that would be suitable for funding from corporate social responsibility programs.

Accomplishments of the TREES Mindanao include:

- Formally established in June 2000, with an office and staff.
- Billboard project implemented in partnership with DENR, PNP and local Rotary Clubs to discourage illegal fee collection for timber transportation. Large billboards displaying the authorized fees were installed at strategic PNP checkpoints on the major highways in South Cotabato in 2000. This project was expanded in 2001 and 2002.
- Conducted research and review, made recommendations, and advocated for “forestry bills” in the Senate and the House.
- Policy resolution urging the DENR to fast track the review of the draft MOA between DENR and landowners within the Allah Valley Watershed Project was presented at the 9th MinBizCon in 2000. The issue had been in limbo for six years. Brought to the President’s attention, the papers are finally moving forward, and are now with the Forest Management Bureau.
- Policy advocacy leading to the declaration of timber trees as agricultural crops and the increase of allowable areas for the development of fruit and commercial trees as areas covered by industrial forest management agreements (IFMAs).
- Successfully advocated for the deregulation of the harvesting, transport and trading of trees grown on private lands.
- Collaborative effort with the LEAF Foundation to develop agriforestry demo farms in the Davao and Caraga Regions was initiated in 2001. Project to be funded by Japanese donor agency NALAPO.
- Strategic linkages were made with other BSOs in Mindanao (e.g., the Mindanao Fruit Industry Development Council), donors (e.g., Philippine-Canadian Economic and Environment Program, New Zealand Embassy), and NGOs (e.g., Philippine Association of Water Districts) to pursue policy advocacy for the development of tree crops.
- Proposal to establish a tree farm for the conservation of endangered indigenous Philippine tree species was submitted to Toyota Foundation and is now under review.
- Memorial luncheon fundraiser was held in memory of the late TREES Mindanao Chairman.
- Secured project funding for Carbon sequestration workshops in 2002.

4.3.5 Vegetable Industry Council of Southern Mindanao

With GEM’s help, the Vegetable Industry Council of Southern Mindanao (VICSMIN) strengthened its outreach and focused on increasing its capability to provide technical assistance to vegetable growers in Southern Mindanao. Its membership includes 300 cooperative and individual vegetable growers that are served through seven provincial chapters in Region XI. With GEM assistance, VICSMIN is identifying and cultivating major institutional buyers with whom it can work out regular supply contracts.

Accomplishments of VICSMIN include:

- Mounted provincial roadshow and membership campaigns.
- Implemented three Seed Caravans and two Demo Farms to showcase modern vegetable technologies.

- Conducted three technology transfer training events attended by 150 farmers.
- Provided linkages between grower cooperatives and LGUs to seed companies and input suppliers. One such linkage resulted in an agreement between a seed company and the Davao Oriental LGU to set up several vegetable farms in the province, and to train growers in modern vegetable farming techniques.
- Held the 1st Multisectoral Vegetable Seed Forum to address local seed quality and availability issues, and find ways to improve the seed system.
- Established Demo Farm to showcase environment-friendly vegetable production technologies.
- Established a vegetable trading enterprise in Bankerohan (the biggest wet market in Davao City) to study the mode of vegetable trading with a view to making marketing systems more effective and beneficial to growers and traders.
- Organized the 1st Southern Mindanao Vegetable Congress on March 6-7, 2002 in Davao City with 340 participants, 100 more than expected.

4.3.6 Northern Mindanao Peanut Industry Association, Inc.

The Association was organized as an offshoot of GEM's work with the industry. It was registered with the SEC in April 1999 and has a current membership of 84 cooperatives, agrarian reform communities (ARCs), associations/corporations and private enterprises, as well as one barangay, and one municipality represented by 2,800 persons who are mostly producers, traders, and input suppliers. Several Muslim indigenous peoples groups are represented, together with one former ELAP-assisted MNLF cooperative. Soon to join is a newly federated group of eight cooperatives around Butuan, and the revitalized peanut industry groups in South Cotabato.

The group has instituted a number of fee-for-service arrangements, including an association management fee of Php5 per kilo of peanut seeds, and Php0.25 per kilo of harvested peanuts, sold to buyers; and a sales commission on equipment purchased through the association.

Accomplishments of NMPIA include:

- Completed financial and business plans; organization policies and procedures.
- Organized and trained 93 seed growers and engaged them in seed production for the association.
- Brought in about 4.5 tons of peanut seeds from Isabela province in Luzon for seed and commercial peanut production in 2000. In 2001, NMPIA was able to produce its own seeds, totaling 8.4 tons in the first six months of 2001.
- Published and sold a guide manual, "Growing Peanuts for Commercial Markets," prepared and printed in English and Visayan versions with GEM assistance.
- In September 2001, entered into a MOA with the Upland Development Programme (UDP) and the Federation of Palo 19 Upland Farmers Association, Inc. (FPUFAI) to cooperate in the commercial production and marketing of peanuts.
- As cornerstone association for CAFFINORMIN, gave full support to the newly created chamber. CAFFINORMIN members benefit from a technology pool, a central market data system, and the potential of centralized marketing.

- Established links with other industry associations including the Banana Industry Development Association and the Northern Mindanao Cassava Industry Association.
- Formalized linkage with Rotary International for its Rotary Community Core Program, providing technical and marketing assistance to community beneficiaries.
- NMPIA Chair now sits on the Regional Agricultural and Fisheries Council of Region X.

4.3.7 Mindanao Mango Industry Development Foundation

The Foundation is the leading private sector-led advocacy organization for the development of the Mindanao's mango industry. It aims to unite all stakeholders into a single advocacy forum for the planning and implementation of a strategic Mindanao Mango Industry Development Plan. The Plan seeks to improve, develop and expand the local and export market for mangoes; make cost-efficient production, post-harvest, and processing technologies accessible to growers; and generate adequate support from the government for technology research and rural infrastructure. GEM, through the TCEP, has provided the Foundation funding support for technology transfer seminars, the Mango Congress, and publication of a guidebook for Technology on Mango Production in Mindanao.

Accomplishments of the Foundation include:

- Organized the 1st to 4th Mindanao Mango Congresses from 1995 to 1998 (MinFruit later became the lead organizer).
- Promoted improved mango production technology through training seminars.
- Assisted GENSAFCO in forging an agreement with Dole Tropicfresh to provide technology assistance to the fruit processors' mango contract growers.
- Established mango mini nurseries in SOCSKARGEN.
- Helped expand mango production areas in Mindanao.

4.3.8 Northern Mindanao Vegetable Producers Association (NMVPAI)

GEM helped create and has been supporting the NMVPAI, a vegetable farmer association in Northern Mindanao. The Association focuses on technology transfer and training for more efficient farming practices for the commercial production of vegetables. Emphasis is on establishing a cold/cool chain for vegetables, and developing market linkages.

Accomplishments of NMVPAI include:

- Membership grew by approximately 20% in 2001, with a total of 11 cooperatives, two associations, one foundation, 10 corporations, and eight individual farming operations representing 1,700 farmers.
- Several Techno Demo farms were established to showcase high value vegetable crop production and post-harvest handling. Support has been secured to launch additional Techno Demo farm sites in 2002.
- In 2001, a significant increase in the volume and quality of vegetables shipped to markets outside of Cagayan was observed. It was largely credited to the work being done by the NMVPAI, with GEM technology and organizational assistance.

- Strategic partnerships were established with other local organizations (NORMINSA, CAFFINORMIN) for policy advocacy to improve shipping competitiveness and cargo handling facilities.
- Several NMVPAI members successfully launched a cold/cool chain for lettuce marketing to Manila. The system is now being replicated for other vegetables such as broccoli, sweet corn, edible pod peas, carrots and bell peppers.
- NMVPAI is actively looking for investors for a vegetable trading center.

4.3.9 Mindanao Trade Expo Foundation

GEM support to Mindanao's gifts, toys and houseware (GTH) industry as a potential growth sector continued in the year 2001 and 2002, mainly through the Mindanao Trade Expo (MTE) Foundation, the Philippine Chamber of Handicraft Industries, and the Handmade Treasure Cooperative. The MTE Foundation has been particularly effective in improving the product development and marketing skills of the producer firms involved, while preparing them to participate in the Mindanao Trade Expo, FAME and international shows. These benefits have been realized by smaller enterprises who are now getting technical assistance, along with production orders from the original group of MTE anchor firms whose increased business justify the use of sub-contractors. The Foundation has a small but active core membership who reach out to a much larger group of stakeholders.

Accomplishments of MTE Foundation include:

- The MTE Foundation has quadrupled its membership in the past two years, from eight to over 50 firms, and has expanded its Secretariat.
- The Foundation has been GEM's counterpart organization for SME development assistance to the 6th sector between 1999 and 2001.
- 2002 marks the 7th year of the Foundation's trademark event—the Mindanao Trade Expo. The declared sales booked by 140 SME exhibitors at the three-day event in 2001 went over Php60 million.
- Through the MTE Foundation, nine SMEs in Mindanao received co-funding support for their participation in the FAME expos in Manila in April 2000 and 2001. In preparation for the expo, the Foundation provided technical assistance in the critical areas of product design and development, quality control and market intelligence, to these promising Mindanao enterprises.

4.3.10 Davao Tourism Association

GEM worked with the Davao Tourism Association (DATA) and other Mindanao tourism organizations. In 2000 and 2001, DATA was the collaborating partner with MBC and other groups for a number of the BSO events and activities, including:

- 1st Mindanao Information and Computer Technology (MICT) Conference
- Dialogue with Foreign Chambers
- Annual Davao Agri-Trade Exhibition (DATE)

- Annual Mindanao Trade Expo (MTE)
- BIMP EAGA Anniversary Week, 2000
- 1st and 2nd Go Mindanao! Travel and Tourism Expos in July 1999 and August 2000.

4.4 GEM Support to Chambers of Commerce

4.4.1 Zamboanga Chamber of Commerce and Industry (ZCCI)

The Zamboanga Chamber, an old chamber that needed to be strengthened, made considerable progress in meeting its objectives. GEM assistance came in the form of co-funding of \$25,000 for 1½ years for commodities and a secretariat, and technical assistance to strengthen planning capability and to develop a fee-based service for revenue generation. Included in this amount was special assistance for a limited period to fund an investor communications specialist tasked to counter negative media perceptions of the area.

The Chamber has had a respectable record in the collection of membership fees and in implementing revenue-generating activities. This enabled the group to develop and offer expanded value-added services to the new members, and sustain a higher level of activity.

Accomplishments of the ZCCI include:

- Increased membership by 55%, from 75 members in early 2001 to 120 in June 2002.
- Hired an Investor Communications Specialist.
- Organized annual SWOT analysis and strategic planning sessions.
- Started a weekly morning radio show for business updates.
- Initiated new strategic linkages in BIMP EAGA; hosted trade missions to Sabah.
- The Sandakan-Zamboanga Business Council, created to promote trade and investment between the two cities, has resulted in a coordinated advocacy effort by Sandakan, Zamboanga, Tawi-Tawi and other stakeholders for the restoration of air links. Also, a liaison person was based in Sandakan to market Zamboanga-produced mangoes.
- A trade mission to South Korea resulted in the forging of a Zamboanga-Hamjung Sister City pact.
- Helped convince a Malaysian bank (Maybank) to open a branch in Zamboanga to facilitate BIMP-EAGA trade.
- Staged pro-active events to improve investor confidence:
 - Fernandina Forum media events.
 - Zamboanga Investment Forums in Manila and Cebu.
 - Zamboanga's participation in the Asian Ethnic Food Festival in Manila with the Chamber as host and coordinator.
 - June 2000 Sandakan-Zamboanga Trade Fair with the Chamber as co-host.
 - Press conferences for Zamboanga events.
- Launched Zamboanga Business Month in 2001 as a September 'tradition.' Loosely patterned after the Cebu Business Month, which has been a successful vehicle for business promotion and revenue-generation. The concept was adopted by the Zamboanga City government and embraced by the business community.

- Launched the “*Il Negocio*” Quarterly newsletter in early 2001 as a direct result of the Chamber’s participation in the GEM-MBC communications workshop.
- Established a Chamber library.
- Initiated a “virtual office” program designed to facilitate trade and investment in the area and generate revenue for the Chamber.
- Established a formal sisterhood chamber arrangement with the Cebu Chamber of Commerce to pursue growth and expansion of business trade among its members.

4.4.2 Metro Cotabato Chamber of Commerce and Industry (MCCCI)

GEM was instrumental in the Chamber’s formation in response to a need for a Chamber (that was not exclusive to Filipino-Chinese businessmen) to serve the metro-Cotabato area. The Chamber received technical and co-funding support (approx. US\$10,000 over two years) from GEM. It has built membership, partnerships, and fee-based business support services as part of their longer-term revenue generation plan, apart from what it earned from hosting the 10th MinBizCon.

The Chamber continues to face significant challenges. While it has considerable strategic importance due to geographic location, the membership base has been limited to mainly small and medium enterprises. Nevertheless, it has been an effective organization, as reflected in its accomplishments:

- Passage of the Investment Code of Cotabato City for Year 2000. The Chamber was a lead member of the committee that recommended provisions and revisions for the new investment code.
- Resumption of suspended air flights to Cotabato on July 15, 2000, a result of the Chamber’s advocacy and direct appeal to then President Estrada.
- Hosting of the 10th MinBizCon in August 2001, with the Chamber executing a MOA with major cooperating partners: the Mayor’s Office, the City Government of Cotabato, the ARMM government, DTI, DOT, DTI, DOT-12/ARMM, BOI/ARMM, ARMM Business Council, Philippine Information Agency and the Regional Inter-agency Communication Taskforce, SMED Council, City Business Center, City Tourism Office, Philippine Chinese Chamber, Cotabato City Chamber and five other local chambers.
- Establishment of strategic linkages with the Muslim business community as well as government agencies. (Some 70% of the Chamber’s technical working committee members are Muslim.)
- Increased interest in the Chamber, and membership to it, as a result of the MinBizCon activities and publicity. At the conference launch, 25 new members were inducted, the majority of whom are Muslim. The total membership is now 134.
- A new full-time Executive Director experienced in organization and management was hired in December 2000.

4.4.3 Muslim Business Forum

The Muslim Business Forum (MBF) represents professionals who seek to promote productivity and self-reliance among Muslims by encouraging them to engage in business. GEM provided technical assistance and key linkages to MBC and other BSOs along with activity co-funding, to help the group strengthen its capabilities and improve services to its members. The MBF has initiated an intensive outreach program to encourage the Muslim private sector, including other business support organizations, to participate more actively in Mindanao's economic growth. This outreach has assisted the Muslim business community in conflict-affected areas to establish, strengthen and build their own regional business support systems loosely networked through the MBF.

Accomplishments of MBF include:

- MBF became the first Muslim group to be an active cooperator/host in a major Mindanao Business Conference.
- The MBF Chair, Mr. Alberto Olermo, was named to the MBC Board of Trustees.
- Established linkage with the Mindanao Fruit Development Council (many MBF members are fruit growers.)
- Established linkage with the Makati Business Club. The Club named the MBF as its affiliate organization in Mindanao.
- Invited by the Makati Business Club to lead the Muslim business group as part of the official business delegation during President Arroyo's state visits to Malaysia, Brunei, Singapore and Indonesia.
- As a result of the Kuala Lumpur trip, MBF helped form the Mindanao-Malaysia Muslim Business Council to serve as "clearing house" for possible business, trade and investment opportunities between Malaysians and their counterparts in Mindanao and Palawan. MBF and the Malaysian Business Forum (formerly the Malaysian Islamic Chamber of Commerce) in KL are the organizing partners of the council. MBF also forged a sisterhood agreement between the cities of Kuala Lumpur and Marawi for socio-cultural exchanges.
- Three new Muslim business support organizations were formed and assisted, two of them in conflict affected areas: the Sultan Kudarat Muslim Investment Council, the Davao Muslim Chamber of Commerce and Industry, and the Muslim Chamber of Commerce and Industry of Kutawato, Inc.
- Co-hosted several activities with MBC, including the successful Sabah-Mindanao Muslim business matching session at the 9th MinBizCon.
- Hosted the 1st Conference on Muslim Economic Initiative in 2001.
- Hosted the 1st BIMP-EAGA Muslim Business Summit in January 2002, in collaboration with MBC, MEDCo and DTI.

4.4.4 Muslim Chamber of Commerce and Industry of Kutawato

Chamber members were inspired by the example of the MBF to organize their own business support organization in Cotabato in 2000. In a little over a year, with GEM assistance, the Muslim Chamber of Commerce and Industry of Kutawato (MCCIK) was able to gain credibility

and recognition for taking a leadership position in advocating for the interests of the private sector in conflict-affected areas. GEM helped the group formulate its vision and mission statements, organizational objectives, and business and work plans.

Accomplishments of the MCCIK include:

- Actively participated in the 10th MinBizCon where it hosted a dinner for Malaysian participants and signed a MOA with Malaysian investors for palm oil production.
- Represented on the Cotabato City Peace and Order Council.
- Represented on the Cotabato City Development Council.
- Represented in the Multi-Sectoral Meeting for Peace and Development in Southern Mindanao on January 31, 2001.
- Established linkages with the MBF, MBC, the PCCI, and the Makati Business Club.

4.4.5 Davao City Chamber of Commerce and Industry

One of Mindanao's lead chambers, the Davao City Chamber received GEM assistance to meet its objective of increasing the level of professional quality services being provided its members starting in 2001. This led to the Chamber's hosting of a number of successful events:

- Davao City Business Conference in June 2001, a first ever event which gathered over 200 local businessmen and women to examine special municipal concerns such as land use, urban infrastructure, traffic management and solid waste management. The conference advocated the immediate implementation of a priority infrastructure project in Davao, the Buhangin Fly-over. The DPWH fast tracked the bidding process and the awarding of the contract. The bidding was completed and the contract awarded at the end of 2001. Construction is going on.
- Davao Agri-Industrial Trade Exhibit (DATE) which drew 3,000 guests and 150 exhibitors.
- SME Week, a series of conferences, events and exhibits that showcased the potentials of local SMEs and gathered 200 SME representatives.
- Davao Investment Forum in March 2002, held as part of the BIMP EAGA anniversary celebration. Participants from Brunei, Malaysia and Indonesia had the opportunity to review major investment opportunities in Davao.

4.4.6 Butuan-Agusan Chamber of Commerce and Industry

One of the more established chambers in Mindanao, the Butuan Chamber drew upon GEM technical assistance for specific activities. GEM helped the Chamber organize and host regional and Mindanao-wide business events. In 2002, the Chamber focused its delivery of trade and investment services by putting up a region-wide investment promotion center. To support the project, GEM assisted the Chamber with its initial profiling of business opportunities and compilation of data on the cost of doing business in Caraga.

Accomplishments of the Butuan Chamber include:

- Hosted the 5th MinBizCon in Butuan City in 1996.
- Hosted the 5th Caraga Business Conference in 1999.
- Conducted consultation meetings in March 2002 to review and harmonize local investment promotion policies and programs.
- Initiated efforts to develop business opportunities profiles of priority investment sectors.

4.4.7 General Santos City Chamber of Commerce and Industry (GSCCCI)

The General Santos City Chamber continues to be one of the strongest in Mindanao. Under a renewed mandate from the members, the Chamber has become one of the most effective chambers in Mindanao in promoting competitiveness and socio-economic development in its immediate community. The Chamber delivers support services to its members in policy advocacy, networking, human resource development and trade and investment promotion.

The Chamber was voted the best chamber in Mindanao by the Philippine Chamber of Commerce and Industry in 2001. In the previous year, it expanded its skills in event management to prepare for the Food Congress and other chamber activities, with GEM assistance. GEM also helped computerize and maximize the effectiveness of the Chamber's accounting services to enhance human resource development, upgrade member's managerial skills, and refocus on revenue generating activities such as providing statistical data to companies for a fee.

With GEM technical assistance, the Chamber is developing productive collaborative partnerships. In one such partnership, GEM helped the Chamber and the Asian Institute of Management to conduct a joint program for executive development in General Santos City. The first activity, an AIM-Chamber workshop on "*Quality, Delivery and Productivity Enhancement*" was held in December 2001, on a profit sharing basis. A similar collaboration with other chambers and the North Sulawesi Chamber of Commerce and Industry sought to increase trade and commerce under the BIMP-EAGA:

Other accomplishments of the GSCCCI include:

- A Memorandum of Understanding forged in October 2000 with the North Sulawesi Chamber to increase trade, air and sea linkages.
- Trade Mission to Manado, Indonesia composed of Chamber officials and GSC LGU officials in March 16-19, 2001.
- Working committee on CIQ formed with the North Sulawesi Chamber, meeting in General Santos City in July 20-23, 2001.
- Sat in the working committee on sea linkages for the Bitung-Gensan Route in Manado, Indonesia with Philippine-based foreign shipping companies; 1st meeting in October 22-26, 2001.
- Sat in the working committee on air linkages for the Mindanao-Manado Route and proposal of Aboitiz Air presented to the North Sulawesi Chamber in December 11, 2001. This initiative led to the launching of the Davao-Manado flight of Aboitiz Air in January 2002.

- Participated in the Presidential visit to Indonesia where results of its initiatives on sea and air linkages with the North Sulawesi Chamber were presented.

4.4.8 Tawi-Tawi Chamber of Commerce and Industry (TTCCI) and Maguindanao Chamber of Commerce and Industry (MCCI)

GEM stepped up efforts to encourage and assist the mainstream participation of Chambers and other business support organizations in conflict-affected areas, particularly in Tawi-Tawi and Maguindanao, to ensure that they were not marginalized in Mindanao policy discussions. These institutions were invited to participate in activities and events (local and national) which could provide opportunities for networking and trade, with GEM co-funding travel expenses. They were also assisted in establishing linkages with the MBC, MBF, and the greater BSO and PCCI network.

These chambers, along with other business support organizations in Mindanao, participated in GEM-sponsored and MBC-hosted events on institutional best practices in revenue generation, communication and management; and in the BSO roundtable with the Presidential Assistant for Mindanao. They also participated in the regional consultations to develop MBC's policy agenda, and workshops on transparency and governance. With GEM help, they have been developing their institutional visions and objectives, and goal-oriented business and financial strategies.

Accomplishments of the TTCCI and MCCI include:

- Reactivation of the ARMM Business Council in 2000. The Chair of the Maguindanao Chamber, Datu Haron Bandila, sits as the Chair of ARMM Business Council, and Romy Taup, President of the Tawi-Tawi Chamber, is the Executive Secretary.
- The chair of the Maguindanao Chamber became the PCCI Regional Governor for Central Mindanao, and was given a seat on the MBC Board of Trustees for the year 2002.
- The president of the Tawi-Tawi Chamber became the PCCI Regional Governor for Western Mindanao, and was given a seat on the MBC Board of Trustees for year 2002.
- The two Chambers participated, as attendees and members of working committees, in institutional capacity building training, Food Congresses, Mindanao Business Conferences, and the 1st Conference on Muslim Economic Initiative.
- Professionalization of the Maguindanao Chamber's business support services for key industry sectors. Two technology transfer training activities were held in 2001 for the furniture industry to improve manufacturing quality and marketability of its products.
- The Maguindanao Chamber, with MBC assistance, helped the ARMM Business Council organize the first ARMM Business Conference in 2002.

4.4.9 Sulu Chamber of Commerce and Industry (SCCI)

Beginning in the second half of 2001, GEM was able to renew support for the Sulu Chamber. Joint training activities for the seaweed industry, with the assistance of the Western Mindanao Seaweed Industry Development Foundation, Inc., were conducted in 2002. GEM helped the SCCI and other chambers in the ARMM organize the ARMM Business Council.

Accomplishments of SCCI include:

- Established linkages with private sector, LGUs, DTI-ARMM and BOI-ARMM.
- Conducted consultations with its members to raise common concerns and issues affecting their businesses.
- Provided business information and technical assistance to its members.
- Conducted investment promotion activities.
- Participated in regional business conferences.

4.5 New Chambers, Associations, Councils Assisted by GEM in 2000-2002

4.5.1 ARMM Business Council (ABC)

The ARMM Business Council is an umbrella organization of chambers of commerce operating within the Autonomous Region in Muslim Mindanao. It serves as the private sector partner of the ARMM Regional Government and is the institution responsible for the promotion and development of business, trade and industry in the ARMM Region. The Council networks with other business and trade organizations to pursue these objectives.

Representing about 2,000 businesses in the ARMM Region, the Council is composed of the Chambers of Commerce and Industry of Maguindanao, Marawi, Sulu, Tawi-Tawi, and Basilan Island; and the DTI-ARMM, Regional Board of Investment-ARMM, PCCI Regional Governor for Central Mindanao, and the PCCI Regional Governor for Western Mindanao. Organized in September 2000, the Council has gradually established recognition as a primary business organization in the region.

GEM extended the following technical assistance to the ARMM Business Council:

- Formal organization of the Council, ratification of its by-laws, and formulation of core programs and services.
- Design and printing of the Council's promotional materials and brochures.
- Provincial Policy Consultations to help assess and map out priority issues for presentation during the 1st ARMM Business Congress
- Conduct of workshops and drafting of strategic plans, and work and financial plans of member chambers.
- Team Building Sessions for key officers of member chambers.
- Board Governance Training for the boards of directors and committee chairmen of member chambers.
- Staging of Brunei-Malaysia-Maguindanao Trade Forum on March 20, 2002 in Cotabato City hosted by the ARMM Business Council.
- Preparation and program design of the 1st ARMM Business Congress on August 5-6, 2002 in Cotabato City.

Accomplishments of the ABC include:

- Entered into a Memorandum of Understanding with the PENIAGAS-Malaysia Sdn. Bhd. in March 2001 to help promote the ARMM Region as a target area for Malaysian investment projects.
- Organized the 1st ARMM Business Council-PENIAGAS (Malaysia) Business Forum in October 2001 in Manila, in coordination with the Malaysian Embassy, where Malaysian businessmen based in Manila were briefed on investment opportunities in the ARMM region.
- Hosted the Brunei-Malaysian delegation in March 2002 who met their local counterparts in a business matching session.
- Organized the 1st ARMM Business Congress in August 2002.

4.5.2 Chamber of Agriculture, Fisheries and Food Industries of Northern Mindanao, Inc.

The Chamber of Agriculture, Fisheries and Food Industries of Northern Mindanao, Inc. (CAFFINORMIN) is a new organization in Northern Mindanao that GEM helped to create. It has a membership of 21 associations, councils and federations representing the mango, potato, cashew, banana, rubber, vegetable, peanut, cassava, pineapple, corn, papaya, coconut, lanzones, ornamental horticulture, agro-industrial fiber, food processing, hog and cattle, fishpond and commercial fishing industry sectors, along with the regional Farmers' Marketing Cooperative, Inc.

CAFFINORMIN provides its member associations with a common service facility complete with a secretariat, an equipped office, a centralized data bank and centralized record keeping, a library of informational R & D materials, and a venue for members to exchange technical and other information on a formal and informal basis. In addition, the Chamber consults with its member associations to identify policy reforms that will improve the competitiveness of the agriculture, fisheries and food industries of Northern Mindanao. CAFFINORMIN also assists its member organizations in capability-building and sustainability plans.

Accomplishments of CAFFINORMIN include:

- Assumed the role of umbrella organization of almost all agriculture and fishery-based business groups in Northern Mindanao.
- Became a member of MBC in 2001 and was elected to a seat in the MBC Board.
- Hosted the 4th Mindanao Food Congress in April 2002.
- Co-hosted the Sundayag Fair 2002 that showcased the region's vast resources and best products.
- Helped promote and provided secretariat support to the Bromeliad Congress and the Kabulakan Festival, two major ornamental horticulture events in the region.
- Continued to provide business information and technical assistance to its members.

4.5.3 Marawi Chamber of Commerce and Industry (MCCI)

The Marawi Chamber was organized in 1985 to answer the need of local businessmen to have an organization that will help them strengthen their businesses and encourage their greater participation in local and regional business and socioeconomic development programs. With help from the GEM Program, MCCI developed business and financial strategies and workplans to provide these services. It has also become a member of the ARMM Business Council.

Accomplishments of MCCI include:

- Advocated for the expansion of services of the Philippine National Bank to include a stronger thrust on social responsibility.
- Pushed for the improvement of telecommunications services leading to the installation of more telephone lines by Italtel.
- Participated in the Tulang Sa Tao microlending program.
- Advocated for the activation of the Marawi Waterworks loan to upgrade the local water supply system.
- Advocated for the conduct of the TESDA manpower development training program.

4.5.4 Basilan Island Chamber of Commerce and Industry (BICCI)

The Basilan Chamber aims to promote the business and economic interests of its members, help develop a favorable business climate in the area, and extend the benefits of membership to as many businessmen as possible. The Chamber was created in 2001 with GEM assistance. The Chamber also worked closely with the government and other agencies tasked to promote economic growth and development in Basilan. The President of the Basilan Chamber was previously a MNLF ELAP beneficiary. BICCI continues to establish business linkages with other chambers and business organizations within and outside Mindanao.

Accomplishments of BICCI include:

- Doubled its membership from original 15 members to 31 by September 2002.
- Formally inducted into the ARMM Business Council in April 2002.
- Sent the largest delegation among the ARMM chambers to the 1st ARMM Business Congress.

4.5.5 Wood Mindanao

The GEM program worked extensively with the furniture and wood processing industry through pairings of Chambers, Associations and Cooperatives in Caraga, Davao Province, and the SOSKSARGEN-Central Mindanao area. The pairings included the (a) Butuan-Agusan Chamber of Furniture Makers with the Caraga Furniture Producers Development Cooperative; (b) Davao Province Furniture Makers Cooperative and the Chamber of Furniture Industries of the Philippines (SOCSKSARGEN Chapter) with the Bulakanon Agri-Ventures Corp.; and (c) UMASA Multi-purpose Cooperative with the Maguindanao Islamic Foundation for Development and Environmental Care.

GEM's work with the wood processing industry led to the organization of Wood Mindanao. Wood Mindanao adopted the industry business support services that GEM had been providing for the wood processing sector. GEM technical assistance has resulted in the adoption of technology and practices (e.g., kiln drying, plant layout and process organization) that enhanced productivity, efficiency and profitability among the participating SMEs.

4.6 Other GEM-Assisted BSOs

GEM provided assistance to other business support organizations in Mindanao from time to time, particularly in the areas of market linkages and trade and investment promotion events. They were also encouraged to attend major business events and GEM-organized management capability training sessions. These BSOs include the following:

- Basilan Foundation of Rubber Growers
- Caraga Council for Economic Development Foundation
- Central Mindanao Banana Industry Development Council
- Davao Province CCI
- Davao/Cotabato/ Mindanao Mango Industry Council
- EAGA Business Council
- Green Trees Foundation (Caraga)
- General Santos City CCI
- General Santos City Tourism Association
- Mindanao Agriculture and Fisheries Council
- Mindanao Integrated Weavers Association
- Northern Mindanao CCI
- Patatas Farmers Association
- SOCSARGEN Peanut Growers Association
- Southern Philippines Tourism Council

4.7 Conclusion

An important goal of the GEM program was to help develop strong and financially sustainable business support organizations (e.g., chambers and trade and producer associations) capable of providing essential services to the businesses they represent; to successfully advocate for important policy reforms; and to generally help accelerate economic growth in their individual industry sectors. GEM directly helped strengthen 26 key BSOs in Mindanao. These BSOs include eight important new producer associations (representing the fishing, fruit, agroforestry, seaweed, peanuts, vegetables and the mango industries); three new Muslim business organizations (ARMM Business Council, Muslim Chamber of Kutawato, and Basilan Island Chamber); one new chamber (Cotabato City Chamber) which GEM helped to establish; and five existing chambers (Chambers of Commerce in Zamboanga City, Sulu, Tawi-Tawi, Marawi and Maguindanao) in conflict-affected areas which GEM helped revitalize.

Considerable progress was made in the BSO program. GEM's assistance enabled Mindanao's BSOs to build their capacity in the areas of financial and work planning, revenue generation, service delivery, communications, governance, strategic linkages, and membership expansion. In

2001, membership of GEM-assisted BSOs increased by about 70%. These BSOs now represent over 80,000 firms, cooperatives, workers, farmers, and fisherfolk. By the end of the Program, a number of GEM-assisted BSOs have been able to exercise influence on national policy formulation.

GEM's primary BSO counterpart was the Mindanao Business Council. The membership of the MBC was expanded from being simply an organization of chambers to include producer associations and a number of Muslim business organizations. By the end of GEM, MBC has become the leading advocate for Mindanao's private sector interest and the voice of the business community in Mindanao. The MBC also became a recognized advocate for policy reform, and strategic partnerships were created between the MBC and business organizations in Manila, the Office of the President, and other USAID projects such as the AGILE Project. The Council is now recognized nationally as the most effective advocate of the private sector, and a catalyst for economic development, in the region.

Examples of particularly important producer associations organized with GEM assistance are the SOCSKSARGEN Federation of Fishing Associations and Allied Industries, Inc. (SFFAAII) and the Western Mindanao Seaweed Industry Development Foundation, Inc. (WMSIDFI). The SFFAAII is composed of eight associations that represent approximately 50,000 mostly small and medium scale fisherfolk belonging to 73 cooperatives, fish processors and canners, and larger commercial fishing enterprises. Its work has benefited thousands of residents in the General Santos City area. The Federation focused on key industry concerns and soon exerted a major influence on government fisheries policy. GEM helped the Federation increase the number of fishermen using the more sustainable handline method to catch tuna, to increase the mesh sizes in purse seining fishing nets to minimize the catch of undersized and juvenile fish, and to increase the value added of fish landed in General Santos City. GEM also assisted in the Federation's successful efforts to ensure that the Philippine Government actively participated in an international agreement to manage the catch and sustain the fisheries resources in the Central and Western Pacific and to sign an Indonesian-Philippine Fisheries Management Cooperation Agreement.

Western Mindanao is one of the areas most affected by conflict. GEM helped seaweed farmer organizations in this region to federate into WMSIDFI. GEM helped establish the first seaweed processing plant in Western Mindanao, and helped the Foundation mobilize resources from the Philippine Government and international donors to support the development of the seaweed industry. Also, assistance was provided to bring research activities from Philippine universities into the area and to obtain national government resources for the development of a laboratory to help address not only seaweed disease problems but also quality control in the seaweed industry. With GEM assistance, the Foundation has improved the sustainability, profitability and competitiveness of the Western Mindanao seaweed industry and, consequently, the livelihood of 100,000 poor, mostly Muslim, seaweed farming families which it represents.

GEM, in collaboration with the MBC, helped enable Muslim business support organizations to more actively participate in mainstream Mindanao business activities. The Muslim Business Forum was the first Muslim chamber member of the MBC and has a seat on the MBC Board and Management Committee. With GEM assistance, Muslim chambers in conflict-affected areas were created, revitalized and assisted to actively engage in ongoing Mindanao policy advocacy and socioeconomic development efforts.

Chapter 5

GEM Support for Infrastructure Development

5.0 Introduction

Since its inception, the GEM Program has worked with business organizations and government agencies to advocate for a higher allocation of GOP and donor infrastructure resources to Mindanao and supported the improvement of capabilities of LGUs to prioritize, package and manage infrastructure projects. GEM worked closely with the MBC, other private sector groups and MEDCo in mounting and supporting a continuing advocacy campaign (e.g., the Mindanao Budget Summit and post-Summit talks) which resulted in a yearly increase in Mindanao's annual share of the national infrastructure budget. The Program's mandate to assist LGUs develop acceptable capability to identify and prioritize infrastructure requirements covered a wide range of activities. These and similar infrastructure development efforts, including the monitoring and fast tracking of implementation of major projects, and taking the necessary steps to fast track project implementation and completion, were done in collaboration with MEDCo and OPAMIN. GEM's technical assistance to private sector-led infrastructure projects, notwithstanding the Asian financial crisis, centered on telecommunications development and infrastructure investment promotion under the BOT-type and privatization schemes.

The peace situation in Mindanao presented the GEM Program with other "targets of opportunity." The peace agreement with the MNLF has made possible an expansion of opportunities for economic prosperity to the SZOPAD and conflict-affected areas. GEM's initiatives to help rural communities in conflict-affected areas access funding for small community infrastructure projects has resulted from close collaboration with other donor and GOP agencies.

5.1 Infrastructure Monitoring and Advocacy

5.1.1 Advocacy for Accelerated Infrastructure Development

GEM provided technical support to government and private organizations in Mindanao to obtain increased infrastructure budgets and to accelerate project implementation. GEM assisted in monitoring delays and making recommendations to solve implementation problems, when they occurred, for 24 on-going key infrastructure projects and 23 pipeline donor-assisted projects. These 47 projects were valued at over US\$1 billion. GEM prepared memorandums that called the attention of implementing agencies to any serious delays or urgent issue and recommended remedial measures.

One such report that GEM prepared in June 2001 alerted the DPWH Secretary on the delayed implementation of the Monkayo-Langkilaan Road (a section of the Philippine-Japan Friendship Highway Rehabilitation) in Compostela Valley. In response, the DPWH Secretary instructed the project officer to take immediate action, resolving the issue and enabling the completion of the project on schedule. The project, which was headed for a delay, ended up being completed on schedule. **Annex 5-A** presents the infrastructure project monitoring report for June 2002.

Before the GEM Program, Mindanao's share of the annual government infrastructure budget averaged only 11%. GEM collaborated with MBC, other business organizations, MEDCo, OPAMIN, Mindanao Lawmakers Association, and CONFED to lobby for a higher Mindanao infrastructure budget. These efforts were highlighted by the conduct of the 1st Mindanao Budget Summit (MBS) in October 1999 with GEM support. By 2001, Mindanao's share had increased to 27%.

To sustain these gains, MEDCO, with limited GEM assistance, organized the 2nd MBS in Manila in June 2002. In the Summit, President Gloria Macapagal Arroyo committed to further increase Mindanao's share to 30-34% in the next two years. More concretely, the DBM committed an increase of two percentage points for Mindanao's share in the regionalized budget under the proposed 2003 national expenditure program.

5.1.2 IMAGs and Mindanao's Infrastructure Task Forces

GEM collaborated with MEDCo to monitor major infrastructure projects in Mindanao. (MEDCo is mandated by the GOP to coordinate and monitor inter-regional projects in the island.) With MEDCo, GEM conceptualized the Infrastructure Monitoring and Advisory Group (IMAG), which provided a useful forum for discussion and problem-solving among implementing agencies and contractors, LGUs, NGOs and other local stakeholders. (See **Annex 5-B** for the IMAG Concept Paper.)

GEM helped MEDCo establish the first IMAG in 1996, specifically for the World Bank-funded Davao-Digos-General Santos Road project. This was followed by the creation of 15 more IMAGs. The IMAGs tackled such project-related issues as relocation of utilities, negotiations with lot owners on right-of-way problems, security, access to material source, and inadequate manpower and equipment of contractors. It became an effective mechanism to minimize project delays.

MEDCo also created Mindanao-wide infrastructure task forces with technical working groups (TWGs) to help identify key infrastructure projects, prioritize them, and lobby for priority funding from Manila-based government agencies. Task forces for arterial roads, telecommunications, water transport, and watershed and irrigation were established. In July 2002, the Mindanao Telecommunications Task Force became the Mindanao Information Technology and Communications Task Force. GEM helped MEDCo conceptualize the task forces for water transport, convene and, in some cases, steer the meetings of the different task forces and their respective TWGs to ensure that they focused on essential issues.

GEM and MEDCo used the task forces to facilitate inputs in the preparation of crucial documents for advocating support to Mindanao infrastructure development. Among the papers was *Affirmative Action Initiatives from March to April 2001* adopted by the then Interagency Committee for Relief, Rehabilitation and Development of Areas Affected by Armed Conflict in Mindanao (INTERACT-Mindanao) in executing its tasks. Another was the *Peace and Reconstruction Imperatives for Mindanao Enhanced Development (PRIMED): A Suggested Public Sector Action Agenda for 2001-2004*. The Office of the Presidential Adviser for Regional

Development used the draft document as its framework in the reconstruction and development efforts in Mindanao.

With technical assistance from GEM, MEDCo prepared *The Mindanao Agenda* for the participants of the National Socio-Economic Summit held in December 2001 in Manila. GEM also prepared the *Mindanao Infrastructure Imperatives* and submitted it to the DPWH Secretary who chaired the Infrastructure Panel of the Summit.

5.2 Medium to Large-Scale Infrastructure

5.2.1 Telecommunications Development

In support of the GOP's liberalization of the telecommunications sector, GEM assisted large private telecommunications companies to facilitate the implementation of their respective roll-out programs in Mindanao as mandated in their provisional authority to operate and their participation under the service area scheme (SAS) of the DOTC. These include the Pilipino Telephone Corporation, Philippine Communications Corporation and Globe-Telecom, the SAS assignees in Mindanao.

GEM also facilitated the linking of small telephone operators to bigger companies, including the Philippine Long Distance Telephone Company. As a result, small operators obtained vital outside connectivity. GEM also helped these operators obtain financing, new technology, guidance in the licensing process, and local contacts needed to expand their services to remote areas, which were less profitable and unattractive to the big telecom companies.

GEM facilitated 18 telecommunications investment projects worth Php5.6 billion (US\$201 million) from the last quarter of 1995 to the middle of 2000 (see **Table 5-1**). Significantly, most of these are located in conflict-affected areas and two large projects worth Php4.5 billion (US\$162 million) are being implemented Mindanao-wide. GEM also helped facilitate the establishment of public calling offices (PCOs) or call stations in various municipalities, thus providing basic telephone services in the rural areas and getting TELCOs service penetration started in unserved and underserved areas.

GEM assistance contributed to the dramatic increase of fixed telephone connections in Mindanao from about 180,000 lines in 1995 to over 700,000 total lines by 2000.

5.2.2 Public-Funded and BOT-Type Infrastructure Projects

GEM's local presence and its close working relationship with donor organizations and Manila-based government agencies and private corporations were instrumental in facilitating infrastructure investment in Mindanao. GEM assisted in project planning, proposal preparation and packaging, investment promotion and institutional linkages between project proponents and fund providers to effect investments and commitments between and among parties.

Table 5-1
GEM-Assisted Telecommunications Investment Projects

Project/Location		Investment (in PhP M)	Assistance Provided
IMPLEMENTED PROJECTS			
1	Telecommunications Services in Tawi-Tawi / Bongao, Tawi-Tawi Province	80.0	Helped secure Provisional Authority and Certificate of Public Convenience and Necessity from the government; advocated for the granting of legislative franchise and negotiated with PT&T for interconnection.
2	Rural Telecommunications Projects/ Sulu Province	90.0	Site survey and installation; established investor-LGU rapport.
3	Telephone System in Sultan Kudarat Province	350.0	Linkage with IGF carrier and other telephone exchanges; helped follow-up financing loan.
4	Establishment of Public Calling Offices/ SOSKSARGEN	50.0	Identified PCO prospective station stewards and equipment supplier.
5	Wireless Local Loop Telephone System/ Koronadal, South Cotabato	70.0	Introduced the technology; identified sites for relay stations/repeaters and the equipment manufacturer.
6	Rural Telecommunications Service/ Five Provinces in Caraga Region	30.0	Business matching and MOA negotiation; identified site locations.
7	Rural Telephone Service in Tandag/ Tandag, Surigao del Sur	18.0	Joint venture matching with IGF carrier.
8	SMART Telecoms Project/ Municipalities in Caraga Region	150.0	Investment facilitation; identification of cell sites; helped prepare for the ceremonial launching attended by the President of the Philippines, who made the first call.
9	Installation of Telephone System / Trento, Agusan Sur	2.5	Reviewed and provided technical inputs to the FS; helped prepare documents for financing loan.
10	Establishment of New Cell Sites/ Davao City and General Santos City	50.0	Helped proponent negotiate for and identify cell site locations.
11	Camiguin Telephone Expansion	12.0	Facilitated approval and release of permit to purchase and operate A9800 radio system; helped put in place operational procedures.
12	Expansion of Telecom Facilities in Region XII and ARMM/ Marawi, Parang, Malabang, Wao, Kidapawan, Mlang, Kabacan and Lebak	50.0	Linked investors with local partners; identified cell site locations.
13	International Gateway Facility (IGF) with PCOs/ Parang, Maguindanao Province <i>(IGF equipment purchased but not yet operational)</i>	35.0	Helped develop the project; linkage with DOMSAT; facilitated release of government permits to purchase and operate communications equipment.

Project/Location		Investment (in PhP M)	Assistance Provided
14	Establishment of Five PCO Stations in North Cotabato/ Municipalities of Midsayap, Libungan, Aleosan, Pigcawayan and Alamada	80.5	Facilitated release of government permits to purchase and operate communications equipment.
15	Digital Wireless Telecommunications/ Municipalities of Datu Paglas and Buluan	1.1	Linked local investor (Paglas Corp) with business partners; provided technical inputs regarding wireless technology.
16	PCO Station in Buluan	0.5	Provided telecom expertise, coordinated project implementation and management plan and designed remittance system
Sub-total of Implemented Projects		1,069	(\$ 38 million)
ON-GOING			
17	Financing for Telecom Expansion of PILTEL/ Southern and Western Mindanao	2,040.0	Financial packaging and other technical inputs to project development. Other technical assistance provided on as need-basis for about 2 years.
18	Expansion of Telecom Facilities- Philcom Area / Northern Mindanao and Basilan <i>Actual investments implemented in Northern Mindanao (70% of commitment) but not yet Basilan Province.</i>	2,520.0	Technical inputs to project development and monitoring of project implementation. Other technical assistance provided on as need-basis for about 2 years.
Sub-total of On-going Projects		4,560	(\$ 162 million)
GRAND TOTAL, IMPLEMENTED & ON-GOING PROJECTS ¹		5,629	(\$201 million)

GEM, working primarily with LGUs and private sector groups, provided technical assistance that directly led to the construction of six significant donor and GOP-funded infrastructure projects valued at US\$144 million. The most significant of these is the Mindanao Container Terminal Port, which will be the first full container port in Mindanao. For this project, for example, GEM prepared the original concept paper, cargo volume projections and, as with all of these projects (see **Table 5-2**), supported coalition building of business and political leaders to assure project funding and implementation. Three additional infrastructure projects (valued at US\$ 109 million) were also successfully developed with Program assistance, leading to firm donor funding commitments. GEM worked with the Caraga Regional Development Council for the approval of the Butuan City Circumferential Road and Second Bridge Project and completion of the studies necessary for the approval and endorsement of the NEDA-ICC to the Obuchi Fund of Japan.

¹ A foreign exchange rate of US\$1 = PhP28 was used to convert telecom investments into dollar term as most of the investments were made between March 1996 and Sept 1997.

GEM also prepared the concept design and schemes used by PHIVIDEDEC in the feasibility study of the Food and Bulk Handling Terminal (MCTP Phase 2) Project. GEM provided expert technical advice in refining the design. Likewise, GEM conducted the pre-feasibility study for the General Santos City Fishport Expansion (Municipal Fishing Component) Project that led to the approval of the project by the SOCSKSARGEN Area Development Board.

Table 5-2
Public-Funded Infrastructure Investment Projects

Project/Location	Investment in PhP M	GEM Assistance Provided
MAJOR DONOR AND GOP PROJECTS		
On-the-Ground/On-going		
Mindanao Container Terminal Port (MCTP) Phase 1/ Phividec Industrial Estate, Tagoloan, Misamis Oriental (Total project cost: PhP4,7 billion)	4,071.0 (The amount of loan)	Prepared analysis of projected cargo traffic for the proposed new commercial port in the Macajalar Bay considering cargo overflow at the existing PPA-operated Cagayan de Oro Port and cargo traffic diversion from Southern Mindanao. The analysis was used to convince the CIC Project Board to support the proposed MICP. GEM's analysis/paper "immensely contributed to the approval of MICP by the NEDA-ICC Technical Board" (quoted from the DTI X Regional Director). Justified to PPA officials the complementation of the project with existing PPA-operated ports in Cagayan de Oro. The loan agreement for financing by JBIBC under the Special Yen Loan Package, first batch, otherwise known as the Obuchi Fund, was signed on April 7, 2000 in Manila.
CIC (Laguindingan) Airport/ Laguindingan, Misamis Oriental (Contract awarded) <i>Note: In 1991, USAID funded the CDO-Iligan Airport Feasibility Study and Master Planning Study, including environmental impact assessment and geotechnical survey, under the PAP Support Project. The study supported the USAID-financed Cagayan de Oro-Iligan Corridor (CIC) Master Planning Study and helped determine the requirements for the airport facilities that would meet the future agricultural and industrial development needs of the CIC up to 2011. The study concluded that the Laguindingan Airport Project is technically and economically viable.</i>	1,387.0 (US\$36.5 million ODA from the Korean Economic Dev't Cooperation Fund and GOP counterpart)	GEM arranged for Technical Resources Program grant for engineering surveys, which confirmed the suitability of the proposed site. Provided DOTC and CIC PMO pertinent data/information for use as reference and continuing guidance to the CIC PMO in preparing for the construction and in addressing related issues, e.g., process/mechanism of ROW acquisition. DOTC requested GEM to assist the CIC PMO in expediting the necessary paperwork with government agencies.

Project/Location	Investment in PhP M	GEM Assistance Provided
GSC Airport Navigational Facility	120.0	GEM, as member of the Airport Task Force, proactively advocated for the procurement of Navigational Aids Equipment.
Maguindanao MRDP Sub-Projects (Irrigation Component)	36.0	Facilitated approval and release of provincial government 10% counterpart necessary to implement the project.
Production Support Service Facility (One-stop Information Shop and Training Center)/ Maguindanao	2.7	Helped to obtain project funding; facilitated planning and pledging sessions.
Post Harvest Facility in Masiag/Bagumbayan, Sultan Kudarat	2.0	Served as conduit for the funds donated by Monsanto Philippines; arranged meetings with the donor; facilitated donation of 2-ha of land from the LGU for the multipurpose pavement); helped obtain additional capital from Landbank.
Sub-total On-going/On-the Ground	5,618.7	(\$144.06 million)
LGU-FUNDED PROJECTS COMPLETED		
Pilot Solar-Powered Water Supply Project/ Sulu Province	1.50	Linkage with World Water Phils.; Provided data for the feasibility study.
Lake Buluan Farm-to-Market Road/ Buluan, Maguindanao	3.60	Conceptualized the project and its modes of implementation; Worked with LGU on pertinent documents needed to source supplementary funds.
Pikit Fish Landing Structure/ Pikit, North Cotabato	0.81	Prepared design and specification as requested by the Presidential Assistant for Mindanao (Office of the President).
Improvement of Farm-to-Market Road in Matilac/ Pigcawayan, North Cotaabato	0.45	Facilitated the use of LGU owned construction equipment, including fuel provision to start the project; helped obtain funding from the Department of Agriculture (Region 12).
Sub-total LGU-Funded Projects Completed	6.36	(\$163 thousand)
GRAND TOTAL, Major Donor & GOP Projects and LGU Completed Projects	5,625.06	(\$144.02 million)
MAJOR DONOR & GOP PROJECTS (Funding Committed)		
Butuan City Circumferential Road w/ Bridge Component	2,132.	The GEM Office in Caraga initiated groundworks for the project's inclusion in the OBUCHI/24th yen loan package by persuading the Regional Development Council to include the project as a "flagship" and by working with DPWH for its inclusion in the DPWH Medium Term Plan as well as in the national MTDP.
Food and Bulk Handling Terminal at the Mindanao Container Terminal Port (MCTP Phase 2), Phividec Industrial Estate	2,025.0	As in Phase 1 of the project, GEM provided technical assistance on as needed basis.

Project/Location	Investment in PhP M	GEM Assistance Provided
GSC Fishport Expansion (Municipal Wharf Component)/ General Santos City	110.0	Prepared pre-investment proposal, which was the basis of the SOCKSARGEN ADP Board in its recommendation to DOTC.
Total, Major Donor/GOP Project w/ Funding Commitment	4,267.0	(\$109.4 million)

Forex: Oct1995-Sept 1996=26 pesos; Oct 1996-Sept 1997=28 pesos; Oct 1997-Sept 1998=28 pesos; Oct 1998-Sept 1999=39 pesos Oct 1999-March 2001=40 pesos. For this table, 39 pesos was used to convert infra investments into dollar terms as most of the investments were made between Oct 1998 and Sept 1999.

GEM promoted and helped facilitate build-operate-transfer (BOT) financing in Mindanao. Because of the long gestation period associated with BOT projects, especially those following an unsolicited proposal process, coupled with the Asian financial crisis in 1997/1998, investors' response was less than enthusiastic. Only one GEM-assisted BOT project, the Public Market and Bus Terminal in the town of Tacurong in Sultan Kudarat, progressed into an actual investment. GEM appraised and evaluated the proponent's BOT proposal that was used to obtain a bank loan for project construction.

GEM collaborated with the Coordinating Council for Private Sector Participation (CCPSP, formerly the BOT Center) and with the previous BOT III project under it, in project facilitation activities and investment promotion. GEM also promoted CCPSP's project development facility to LGUs for the preparation of pre-feasibility studies and tender documents necessary for the public bidding of BOT projects.

A number of potential BOT-type projects for private sector participation were identified and widely promoted by GEM and its partner organizations. These projects remain in the preparation stage (see **Table 5-3**). LGUs in Mindanao preferred unsolicited proposals and negotiated bids instead of preparing their own proposals and conducting transparent, open, competitive public bidding. This has dampened investor interest.

5.3 Small Rural Infrastructure in Conflict-Affected Areas

GEM substantially helped identify, plan and source funding for small rural infrastructure projects, especially those that would support efforts to increase incomes in conflict-affected areas.

5.3.1 Social Fund Supported Projects

GEM leveraged its technical assistance to access funding for small infrastructure projects in conflict-affected areas from other donor-assisted programs. It helped in proposal preparation, engineering design and field surveys for MNLF communities in both ELAP and non-ELAP areas so that they could access small infrastructure grants from both the World Bank and OPEC-funded SZOPAD Social Fund. GEM assisted in generating 121 small project proposals and in facilitating their submission to the Social Fund's project management office for funding

consideration. Of those, 45 proposals worth PhP23.6 million (approx. US\$473,000) were approved and constructed, or were in the final stage of construction at the end of the Program (see **Table 5-6** and **Annex 5-C**). Most of the approved projects were grains warehouses, concrete solar dryers or multi-purpose concrete drying pavement, *madrasah* school buildings, potable water supply systems (community faucet-type supplied by spring water) and culverts.

Table 5-3
BOT and PSP Projects Assisted By GEM

Project	Estimated Proj. Cost (PhP M)	Status to date
Tacurong Public Market and Bus Terminal in Sultan Kudarat Province	7	Operational and in business.
General Santos City Integrated Transport Terminal	120	Bidding documents completed through CCPSP's assistance; LGU PBAC has yet to move for project bidding and to gather participation commitment from lot owners in the proposed site.
Sta. Ana Port and Waterfront Development, Davao City	150	LGU constrained by its MOA with PPA; conceptual plan completed and might be implemented in phases by LGU's own financing.
Misamis Oriental Telephone System, Misamis Oriental Province	(TBD)	Provincial government in favor of privatization but was undecided on the mode and track for privatization.
Cotabato City Convention Center and Commercial Complex	180	Identified project by the private sector. Site and concept have yet to be finalized by the LGU.
Polloc Port Industrial Development	200	Individual framework plans prepared by GEM, Philippine Ports Authority and ARMM that has yet to prioritize the project in its investment portfolio. Rehabilitation of component facilities to be funded under the WB-assisted ARMM Social Fund.
Davao Norte Integrated Water Resources Development Project	(TBD)	MOA signed between LGU and CCPSP for the latter's assistance in preparing preFS and tender documents.

5.3.2 Other GOP and Donor-Assisted Small Infrastructure Grants

Knowing GEM's knowledge of local networks and its technical capability in project preparation and monitoring, GOP agencies and other donors collaborated with GEM to focus their small infrastructure grants to conflict-affected areas. The British Department for International Development (DfID), the New Zealand Embassy's Small Project Fund, and the UNDP worked with GEM to provide small infrastructure and equipment grants in conflict-affected areas in Mindanao (See **Table 5-4**). USAID also provided grants for small post-harvest infrastructure facilities and equipment to target beneficiaries through the GEM Program (See **Table 5-5**). In most cases, grants for equipment delivery and installation or for the construction of these facilities were completed ahead of targeted schedules. With GEM assistance, post-harvest facilities, such as a warehouse and solar dryer, could be planned and constructed in 90 days.

Table 5-4
Donor Grants for Small Infrastructure and Equipment Implemented in Collaboration with GEM

Project/ Location	Donor	Cost in PhP	No. of Beneficiaries
1. Lamitan Water Supply System Expansion in Lamitan, Basilan Province	New Zealand	600,000	730 residents (two barangays)
2. Talaingod Water Supply System in Kapalong, Compostela Valley Province	New Zealand	1,200,000	400 households
3. Taluksangay Seaweed Warehouse & Dyer in Taluksangay, Zamboanga City	New Zealand	200,000	37 families
4. Tabtabon Seaweed Drying Platform in Tabtabon, Zamboanga City	New Zealand	200,000 (approx.)	36 families
5. Boh-Boh Island Seaweed Warehouse and Solar Dyer in Panubigan, Zamboanga City	U. K.	608,400	220 Seaweed Growers
6. Boh-Boh Island Wooden Port	U. K.	317,000	24 families
7. Banana Chip Plant (Building, Equipment and Water Supply System) in Kiteb, Talitay, Maguindanao Province	U. K.	360,000	50 women coop members
8. Kolambugan Rice and Corn Mill, Final Phase (Structure and Equipment) * in Kolambugan, Lanao Norte	UNDP (initial phase)	1,200,000 (original cost)	1,500 coop members
TOTAL		4,685,400	2,997
Foreign Exchange Rate: US\$1 = PhP45		(\$104,120)	

* Project was initiated by a UNDP grant that was insufficient to complete the project. In accordance to an agreement with UNDP, USAID provided an additional grant (PhP350,000) under the GEM Program to complete the structure and bring the equipment to operational condition in January 2001.

Table 5-5
USAID Grants for Post-Harvest Facilities and Equipment Implemented through GEM

Project/ Location	Units	Cost in PhP M	Beneficiaries	Assistance
ELAP Community-level Warehouse and Pavement-type Solar Dyer/ Kolambugan (Lanao Norte), Ditsaan Ramain (Lanao Sur), Kiamba (Sarangani), Polomolok (South Cotabato), Datu Odin Sinsuat and Datu Paglas (Maguindanao)	6	2.65	444 MNLF coop members	Preparation of engineering plans and cost estimate, tendering, construction supervision and contract administration.
Close-Out for GOP Equipment Grant under the DA-SWIFT Village Partnership Program/ Various Muslim communities in Maguindanao, North Cotabato, Lanao Norte and Lanao Sur	14	1.0	735 MNLF farmers	Administered the closing out activities, i.e., delivery, installation and test operation of equipment and O&M training for the beneficiaries.
Total	20	3.65	1,179	
Foreign Exchange Rate: US\$1 = PhP45		(\$81,000)		

5.3.3 NIA Shallow Tube Well (STW) Irrigation

Recognizing the successful implementation of ELAP and the need to help increase the productivity of MNLF farmer-beneficiaries, MEDCo and OPARD requested the National Irrigation Administration (NIA) to provide irrigation facilities in ELAP areas in coordination with the GEM Program. Subsequently, GEM arranged the allocation of fund commitments by the NIA Central Office for both 2001 and 2002 STW assistance in ELAP sites. On that basis, GEM facilitated the allotment of Php8.5 million (US\$ 170,000) and its release from the NIA Central office for the construction of 40 STW irrigation units in ELAP sites in the provinces of Maguindanao, North Cotabato, Lanao Sur and Lanao Norte (See **Table 5-7**).

GEM also assisted NIA field offices in conducting site validation and confirmation of participation of target coop-beneficiaries into the STW projects. After GEM and NIA presented the terms and conditions of the assistance, the 17 cooperatives (with total membership of 750 farmers) agreed to pay the required 30% amortization of the direct cost. The repayment consisted of an initial 10% equity, with the remaining 20% amortized in two installments within one year after project completion. With the exception of 15 units in Lanao Sur, all the STW irrigation units under the 2001 budget were fully completed as of the reporting period. The units funded by the 2002 budget were either completed or are in various stages of completion.

Table 5-6
GEM-Assisted Project Proposals Approved for SZOPAD Social Fund

No.	Project/Location	Project Cost (Php Million)	Proponent
1	Banisilon Warehouse and Solar Dryer Package/ Brgy. Banisilon, Tangkal, Lanao del Norte	0.51	Tangkal Bangsamoro MPC
2	Kalimudan Warehouse and Solor Dryer Package/ Kalimudan, Salvador, Lanao del Norte	0.42	Kalimudan Bangsamoro MPC
3	Munai Warehouse and Solor Dryer Package/ Municipality of Munai, Lanao del Norte	0.52	Munai Bangsamoro MPC
4	Matungao Community Solar Dryer and Warehouse/Poblacion Matungao, Lanao del Norte	0.28	Matungao Bangsamoro MPC
5	Pagawayan Community Solar Dryer and Warehouse/ Brgy. Pagawayan, Bacolod, Lanao del Norte	0.49	Bacolod Bangsamoro MPC
6	Delabayan Community Solar Dryer and Warehouse/ Brgy. Delabayan, Kauswagan, Lanao del Norte	0.49	Kauswagan Bangsamoro MPC
7	Lumbac Warehouse and Solar Dryer Package/ Brgy. Lumbac, Magsaysay, Lanao del Norte	0.95	MABAM MPC
8	Kablangan Water Supply Project Kablangan, Poona Piagapo, Lanao del Norte	1.45	RNSRC
9	Tambo Warehouse and Solar Dryer Package Brgy. Tambo, Piagapo, Lanao del Sur	0.43	Tapukan Farmer's MPC
10	Alog Community Solar Dryer and Warehouse/ Brgy. Alog, Lumbatan, Lanao del Sur	0.48	Al-Haymer MPC

No.	Project/Location	Project Cost (Php Million)	Proponent
11	Nanagun Community Solar Dryer and Warehouse/ Brgy. Nanagun, Lumbayanague, Lanao del Sur	0.48	Nanagun Farmer's MPC
12	Camalig Warehouse and Solar Dryer Package Camalig, Marantao, Lanao del Sur	0.53	Marantao MNLF MPC
13	Sunggod Warehouse and Solar Dryer Package Sunggod, Bubong, Lanao del Sur	0.53	Pantao Raya MPC
14	Raya Timbab Warehouse and Solar Dryer Package Bayabao, Butig,, Lanao del Sur	0.70	RSSCRC Zone III Bangsamoro MPC
15	Purog Warehouse and Solar Dryer Package Purog, Calanogas, Lanao del Sur	0.59	Calanugas-Pualas Zone II RSSCRC MPC
16	Rogongon Warehouse and Solar Dryer Package/ Brgy. Rogongon, Iligan City	0.40	Lumad Farmer's MPC
17	Lower Dulag Warehouse and Solar Dryer Package/ Brgy. Lower Dulag, Iligan City	0.40	LODULFAMCO
18	Lanipao Warehouse and Solar Dryer Package/ Brgy. Lanipao, Iligan City	0.40	DULMAFA MPC
19	Upper Dulag Warehouse and Solar Dryer Package/ Brgy. Upper Dulag, Iligan City	0.40	DULMAFA MPC
20	Matilac Community Warehouse and Solar Dryer/ Brgy. Matilac, Pigcawayan, Cotabato Province	0.28	Taliawid MPC
21	Kapinpilan Madrasah (School) Building/ Brgy. Kapinpilan, Midsayap, Cotabato Province	0.75	Kapinpilan MPC
22	Sambulawan Madrasah (School) Building/ Brgy. Sambulawan, Midsayap, Cotabato Province	0.66	MNLF NUKSRC
23	Batulawan Warehouse and Solar Dryer Package/ Brgy. Batulawan, Pikit, Cotabato Province	0.40	Sitio Punol MNLF MPC
24	Kitulaan Warehouse and Solar Dryer Package/ Brgy. Kitulaan, Carmen, Cotabato Province	0.40	Penguianan MPC
25	Midpapan Warehouse and Solar Dryer Package/ Brgy. Midapapan 2, Pigcawayan, Cotabato Province	0.40	Pigcawayan Rural Dev't Cooperative
26	Pigcawaran Warehouse and Solar Dryer Package/ Brgy. Pigcawaran, Alamada, Cotabato Province	0.53	Iranon Farmers MPC
27	Lower Rebi, Warehouse and Solar Dryer Package Pigcawaran, Alamada, Cotabato Province	0.84	Alamada MNLF MPC
28	Buricain Warehouse and Solar Dryer Package Buricain, Pigcawayan, Cotabato Province	0.46	Buricain Farmer's MPC
29	Tinutulan Warehouse and Solar Dryer Package Pikit, Cotabato Province	0.48	Pedtambingan MPC
30	Dumadalig Madrasah (School) Building/ Brgy. Dumadalig, Tantaran, South Cotabato	0.80	Tantaran Madaris Association

No.	Project/Location	Project Cost (Php Million)	Proponent
31	Bunao Warehouse and Solar Dryer Package/ Brgy. Bunao, Tupi, South Cotabato	0.30	Tupi MPC of Farmer
32	Lunen Warehouse and Solar Dryer Package/ Brgy. Lunen, Tupi, South Cotabato	0.30	Highland MPC
33	Lambayong Warehouse and Solar Dryer Package/ Brgy. Lambayong, Tampakan, South Cotabato	0.31	Selatan Kutawato Integrated MPC
34	Lemsnolon Warehouse and Solar Dryer Package/ Brgy. Lemsnolon, T'boli, South Cotabato	0.55	Lemsnolon Community Dev't. Association
35	Landan Warehouse and Solar Dryer Package/ Polomolok, South Cotabato	0.49	Landan Agro-MPC
36	Batomelong Warehouse and Solar Dryer Package/ Brgy. Batomelong, General Santos City	0.49	Batomelong Bangsamoro Farmer's MPC
37	Bolliok Box Culvert (Two-Barrel)/ Brgy. Bolliok, Mun. of Sultan Kudarat, Maguindanao	0.14	MNLF-NUKSRC
38	Mamali Warehouse and Solar Dryer Package/ Brgy. Mamali, Lutayan, Sultan Kudarat Province	0.50	Lutayan MNLF MPC
39	Pagalongan Warehouse and Solar Dryer Package/ Pagalongan, Maguindanao	0.48	Egam Galakit MPC
40	Kapinpilan Warehouse and Solar Dryer Package/ Ampatuan, Maguindanao	0.51	Malasigan MPC
41	Damalasak Warehouse and Solar Dryer Package/ Pagalongan, Maguindanao	0.48	Damalasak MPC
42	Bulit Warehouse and Solar Dryer Package/ Pagagawan, Maguindanao	0.54	Bulit Farmer's MPC
43	Muti Warehouse and Solar Dryer Package/ Muti, Talayan, Maguindanao	0.59	Muti Mabang Farmer's MPC
44	Kauran Warehouse and Solar Dryer Package/ Ampatuan, Maguindanao	0.70	Central Kutawatu Women's MPC
45	Malangit Warehouse and Solar Dryer Package/ Buluan, Maguindanao	0.83	Sinakulay MNLF MPC
TOTAL		23.66 (\$ 473,000)	

Table 5-7
STW Irrigation Projects of NIA in GEM-ELAP Areas
2001-2002

Project Site/ Barangay	Municipality	Province	No. of Units	
			2001	2002
Pagalongan	Ditsaan Raman	Lanao Sur	3	
Lumbac	Buadipuso Buntong	Lanao Sur	2	1*
Bangon	Buadipuso Buntong	Lanao Sur	2	1*
Pagalongan	Maguing	Lanao Sur	2	1*
Balintao	Maguing	Lanao Sur	2	
Pantar	Bubong	Lanao Sur	2	
Malungun	Bubong	Lanao Sur	2	1*
Alog	Lumbatan	Lanao Sur		2*
Matampay	Munai	Lanao Norte	2	2*
Pendulunan	Munai	Lanao Norte	2	2*
Lindongan	Munai	Lanao Norte		2*
Balatican	Pikit	North Cotabato	3	
Upper Labas	Midsayap	North Cotabato	3	
Patot	Pigkawayan	North Cotabato	2	1 ^a
Minarapan	Carmen	North Cotabato		3
Olandang	Midsayap	North Cotabato		1 ^a
Lagandang	Isulan	Sultan Kudarat	2	2
Bual	Isulan	Sultan Kudarat	2	2
Tunaungan	President Quirino	Sultan Kudarat	3	2
Bago Ingued	Datu Odin Sinsuat	Maguindanao	3+	2**
Kiteb	Talitay	Maguindanao	3	
Kakal/ Biniran	Ampatuan	Maguindanao		2***
TOTAL			40	27±
GRAND TOTAL			67	
TOTAL COST in PhP Foreign Exchange Rate: US\$1 = PhP50			PhP8.5 million (\$170,000)	

Notes:

+ Two units were not successfully constructed due to inadequate groundwater supply even after several well drilling attempts at various points. Only one unit was successfully constructed.

^a Site validation conducted alone by NIA-North Cotabato and concurred by GEM-LEAP.

± Two additional sites will be identified to fill up the allotment for 27 units.

* Site still tentative and will be finalized after site validation to be conducted by NIA with GEM-LEAP.

** Sub-Allotment Advice (SAA) already received by NIA-Maguindanao. Project validation and implementation by NIA-Maguindanao to be coordinated with the incumbent Mayor of Cotabato City.

*** New proposed sites awaiting validation by NIA and GEM-LEAP.

5.4 Conclusion

GEM's infrastructure development assistance was directed at gaining substantial increases in budgetary outlays for, and accelerating implementation of, important infrastructure projects in Mindanao, including small infrastructure facilities for rural communities. GEM also assisted major telephone companies in implementing their respective roll-out plans and small operators in expanding and upgrading local exchanges to improve Mindanao's telephone density.

GEM worked with MEDCo, OPAMIN, MBC and other organizations in lobbying for an increased infrastructure budget for Mindanao. This resulted in a substantial increase in Mindanao's share from 11% to 27%, with a Presidential commitment to further increase this to 31-34% for 2002-2003. There has been a major expansion of basic infrastructure. Today, over 80% of Mindanao's arterial highway network is in place (i.e., being upgraded or under construction), a substantial improvement over the 1995 level of 44%.

With GEM assistance, delays were minimized on the implementation of 24 key infrastructure projects and 23 pipeline donor-assisted projects in Mindanao. These projects were valued at US\$1 billion. A significant GEM contribution was the design and setting up of the IMAG as an effective mechanism to increase participation of LGUs, business communities and local stakeholders in monitoring and resolving project-related issues delaying project implementation. GEM also helped MEDCo create infrastructure task forces to identify key infrastructure projects, prioritize them and lobby for priority funding.

GEM's local network and collaborative working relationship with donor and business organizations and national government agencies facilitated infrastructure investments in Mindanao. In support of the liberalization thrust of the government, GEM guided large telephone companies to implement their respective roll-out programs. GEM facilitated 18 telecommunications investment projects worth PhP5.6 billion (US\$201 million). Telephone density in Mindanao has increased more than three-fold. Assistance to major telecommunications companies to implement roll-out programs helped increase telephone connections from 180,000 lines in 1996 to 600,000 total lines by 2001. Cellular phone services have also been increased substantially.

GEM provided technical assistance that led to the construction of six significant government and donor-funded infrastructure projects valued at US\$144 million. One of these is the Mindanao Container Terminal Port, which will be the first international-standard container port in Mindanao. Three additional infrastructure projects (valued at US\$109 million) were also successfully developed with Program assistance, leading to firm donor funding commitments. GEM also promoted and helped facilitate BOT financing in Mindanao. The GEM-assisted small Public Market and Bus Terminal in Tacurong, Sultan Kudarat has been operating for some years now.

GEM assistance to conflict-affected areas, has resulted in donors and government agencies funding 140 small community infrastructure projects. These included 45 SZOPAD Social Fund projects, eight bilateral donor grants, 20 post-harvest and equipment grants, and 67 STW irrigation units. While the total investment in these infrastructure projects is small, the value to

these communities, through increased productivity and as an important symbol of U.S., GOP and other donor support for their efforts to bring peace and development to their communities, is great. GEM-assisted conflict-affected communities have a total value of US\$828,000.

Chapter 6

GEM Trade and Investment Services

6.0 Introduction

While the quality of life of the people of Mindanao has always been well below national levels, the island's potential for substantial economic growth is well recognized. With this in mind, the GEM Program undertook an aggressive, broad-ranging enterprise development program with maximum participation from small farmers, fisherfolk, and entrepreneurs. GEM also carried out activities to improve the overall trade and investment environment in the island.

GEM trade and investment services included helping farmers/fisherfolk and buyers negotiate and finalize marketing and contract growing agreements, and providing firms a wide range of services necessary to help investment occur, such as introductions to reliable partners, assistance in preparing and negotiating joint venture agreements, preparing a project prospectus, negotiating with banks, preparing pre-feasibility studies, and providing data needed in investment decision-making. By attracting and facilitating the establishment of new enterprises, GEM helped generate new jobs. Initiatives intended to improve the trade and investment environment included policy reform and infrastructure development assistance, and support activities to strengthen key business support organizations.¹

To support the 1996 peace agreement between the GOP and the MNLF, GEM also provided significant assistance to similarly accelerate trade and investment in the ARMM and other conflict-affected areas.

6.1 Changing Program Strategies

When the GEM Program started in 1995, three critical assumptions were made in relation to performance targets: (a) that there would be sustained economic growth at the national level; (b) that the peace and order situation would not deteriorate significantly; and (c) that there would be no major natural calamities with regional impact. The impact on Mindanao of the Asian financial crisis and the *El Niño* phenomenon in 1997 to 1999, the conflict with the MILF and the frequent incidences of kidnappings by the Abu Sayyaf in 1999 to 2001 invalidated these assumptions.

In April 1997, GEM initiated with the MBC the Business Outreach and Strengthening Services (BOSS), a spin-off of GEM's SME development component and implemented by lead chambers in key cities of Mindanao. Building on a previous USAID-assisted project, the Regional Enterprise Development Project, BOSS focused on helping Mindanao SMEs expand their operations and improve productivity through technical assistance and co-financing of training, technology transfer, and participation in trade and marketing events.

To help increase production of high value commodities, GEM introduced new technologies, improved varieties and market access through the TCEP. This GEM sub-program identified profitable and competitive commodities and helped farmers to expand production and access new markets. The TCEP also promoted investments by working with growers and with individuals and organizations that have access to potential investors or buyers with plans to expand in Mindanao.

¹ See Chapter 4 for a detailed discussion of GEM assistance to BSOs.

In the first two years of Program implementation, significant GEM resources were focused on conflict-affected areas. These efforts supported the peace process and increased the momentum for positive economic development. Investor interest at that time also began to increase. In April 1998, the GEM contract was amended to incorporate a new component, the SZOPAD Accelerated Enterprise Development (SZAED) Program. It was designed to intensify enterprise and agribusiness development in the Special Zone of Peace and Development.

In response to the effects of the Asian financial crisis and the deteriorating investment environment in Mindanao, GEM shifted its focus from investment to trade facilitation by assisting financially distressed Mindanao firms, providing support to specific industry sectors, and accelerating assistance to key local BSOs. In September 2000, a contract amendment was approved with the following priorities: (a) strengthen the MBC and other key BSOs; and (b) improve the cold/cool chain with emphasis on the vegetable sector in Northern and Southern Mindanao.

6.2 Examples of Investment Services

From 1995 to 2002, GEM provided technical assistance to 529 public and private investment projects and transactions (see **Table 6-1** and **Annex 6-A**). These investments and transactions were valued at US\$586 million, including 160 private investments and transactions in conflict-affected areas of Mindanao (CAAM) and 151 major donor and GOP infrastructure projects and small community infrastructure projects in CAAM. These investments and transactions helped improve the incomes of over 56,000 farmers and fisherfolk and generated 40,000 direct jobs (salaried and wage employees) and 37,000 indirect jobs (workers in ancillary industries).

6.2.1 Marketing and Contract Growing Arrangements

The GEM agribusiness strategy focused on supporting for the development of specific industries where Mindanao has a clear advantage in terms of resources, and where significant local and export markets exist. The Program provided farmers, fisherfolk and other producers groups with technical assistance in identifying and accessing new markets with traders and other businessmen. This resulted in the consummation of 27 contract growing and 83 marketing agreements, with a combined value of over PhP1.6 billion. Among GEM's accomplishments in identifying and accessing new and more lucrative markets were the following:

- GEM helped fisherfolk and fish traders in Zamboanga access new buyers who could offer better prices for high-value marine products, e.g. blue crabs, giant prawns, cuttlefish and squid. In the last quarter of 1999, GEM helped forge an agreement with Je Young Trading Ltd., an importer in Busan, South Korea, for the supply of blue crabs. The initial delivery of three tons (worth US\$114,000), produced by 60 marginal fishing families, was followed by repeat orders made through the Zamboanga City-based Pearly Shell Enterprises.
- Another group of 40 fishermen from Zamboanga began exporting processed fish and squid balls in 1999 to Zillion Co. Ltd. of Korea through a local consolidator, Shie Jie Corporation. Initial delivery was worth US\$64,000.

Table 6-1
Number & Value of GEM-Assisted Investments and Transactions Per Semester and Per Type of Transaction

PROJECT TYPE	1 st SEMESTER (Oct. 1995 – Mar. 1996)		2nd SEMESTER (Apr. – Sept. 1996)		3rd SEMESTER (Oct. 1996 – Mar. 1997)		4th SEMESTER (Apr. – Sept. 1997)	
	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)
Contract Growing	7	911.00	4	41.00			4	69.00
Market Linkage	9	217.45	11	27.55	8	114.00	4	3.67
Key Agribusiness Ent			5	69.80	1	0.05	3	21.70
Key Agribusiness SME					4	24.00	1	0.50
New SMEs/Joint Ventures	2	11.75	1	10.00	1	4.00	6	106.75
New Investments	2	268.00	2	750.00	11		2	80
Telecom Investments	3	480.00			8	4,868.00	1	150.00
Total Proj/PhP Value (in US\$)	23	1,888.20 (\$ 73 M)	23	898.35 (\$ 34 M)	33	6,212.20 (\$ 221 M)	21	431.62 (\$ 15 M)

PROJECT TYPE	5 th SEMESTER (Oct. 1997 – Mar. 1998)		6th SEMESTER (Apr. – Sept. 1998)		7th SEMESTER (Oct. 1998 – Mar. 1999)		8th SEMESTER (Apr. 1999– Sept. 1999)	
	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)
Contract Growing	2	6.10	6	25.93			2	30.70
Market Linkage	7	14.85	10	31.40	4	5.20	2	5.50
Key Agribusiness Ent	4	6,178.70	14	721.30	18	290.13	14	344.55
Key Agribusiness SME	0	0.00						
New SMEs/Joint Vent.	0	0.00	4	17.52	5	15.38	7	19.37
New Investments	14	1,811.65	13	383.10	11	891.15	23	314.65
Telecom Investments			1	2.50			2	47.00
Total Proj/PhP Value (in US\$)	27	8,011.30 (\$ 286 M)	48	1,181.75 (\$ 42 M)	38	1,201.86 (\$ 31 M)	50	761.77 (\$ 20 M)

PROJECT TYPE	9th SEMESTER (Oct. 1999 – Mar. 2000)		10th SEMESTER (Apr. 2000 – Sept. 2000)		11th SEMESTER (Oct. 2000 – Mar. 2001)		TOTAL (Oct. 1995-Mar. 2001)	
	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)	No. of Projects	Inv. Level (in M PhP)
Contract Growing	2	83.50					27	1,167.23
Market Linkage	8	56.12	9	15.73	4	15.50	76	506.97
Key Agribusiness Enter.	12	90.83	6	27.50			77	7,744.56
Key Agribusiness SME							5	24.50
New SMEs/Joint Vent	6	38.86	3	2.91	2	20.30	37	246.84
New Investments	19	1,485.16	18	780.01	10	83.60	125	8,049.47
Telecom Investments	1	80.50	2	1.60			18	5,629.60
Total Proj/PhP Value (in US\$)	48	1,834.79 (\$ 46 M)	38	827.75 (\$ 21 M)	16	119.40 (\$ 3 M)	365	23,369.17 (\$ 792 M)
ACTUALLY IMPLEMENTED/OPERATED (Table 6-2 and Annex 6-A) ¹							330	13,109.2 (\$434 M)

ADDITIONAL TRANSACTIONS AND INVESTMENTS, APRIL 2001-SEPTEMBER 2002 (TABLE 6-2)	11	321.8 (\$7 M)
TOTAL IMPLEMENTED/OPERATED TRANSACTIONS AND INVESTMENTS OCT 1995 – SEP 2002 ²	341	13,431.0 (\$441 M)
INFRASTRUCTURE PROJECTS (Tables 5-2; 5-3; 5-4; 5-5; 5-6 and 5-7)	151	5,666.0 (\$145 M)
TOTAL PROJ/PHP VALUE, PRIVATE INVESTMENTS/TRANSACTIONS AND INFRASTRUCTURE PROJECTS OCTOBER 1995 THROUGH SEPTEMBER 2002	492	19,097.0 (\$ 586 M)

Notes:

¹ Of the estimated total investment that the investor would make, the amount of investment facilitated and attributable to GEM is based on the actual level of GEM effort that went into bringing the investment to fruition and the significance of that effort in terms of project realization. For projects that would not have happened without GEM assistance, GEM claimed 100% credit. For big projects, GEM claimed partial credits only, i.e., a percentage of the amount of fixed asset and one-year operational expenses.

² Implemented/Operated investments and transactions (i.e., actual production started and/or investments in the project were made) were validated by GEM monitoring and assessed by external, independent surveys (i.e., the MSUF surveys in 1998 and 2000).

- In General Santos City, GEM enabled over 300 small fisherfolk to supply the raw material requirements of Phillips Seafoods, an American fish processing firm that was attracted to General Santos City by a story GEM placed in *Seafood Leader* magazine. GEM assisted the company to find a site and complete approval procedures. The processing plant, a new locator at the city's fishport, is capable of processing five metric tons of fish daily into steaks and other frozen value-added products. Between October 1999 and March 2002, it bought over 400 metric tons of fish worth about US\$1 million from local small-scale fishing groups. GEM advised local fishing associations to employ appropriate technology for improving handling practices on their fishing boats so that their catch could meet the quality standards required by processors. This translated to better prices for their catch.
- GEM provided 11 associations of coffee producers, involving over 1,200 growers in the Caraga Region, with production and marketing technologies required for growership arrangements with Nestle Philippines. Most of the coffee growers were ethnic communities in the Surigao and Agusan provinces. In 1997, Nestle and GEM introduced new planting materials to farmers by helping growers and Nestle establish mother clonal gardens and nurseries. The first attempt was a communal project of the Mahaba Tribal Council in Cabadbaran, Agusan del Sur. This assistance helped rehabilitate existing under-productive coffee farms and establish new ones in the region.
- GEM facilitated the consolidation and marketing of corn produced by 83 ELAP participants from Bago Inged and Kiteb, Talitay in Central Mindanao. It was the first time that delivery vans entered the farm sites in the volatile areas of Talayan and Datu Odin Sinsuat. LIMCOMA picked up 62 tons of the initial harvest worth PhP750,000, while R&B Marketing collected 81 tons worth PhP830,000.

6.2.2 Key Agribusiness Enterprises and Key Non-Agribusiness SMEs

GEM's enterprise development assistance also focused on initiating and expanding key and strategic agribusiness enterprises. Strategic enterprises are those whose establishment or expansion fills a void that prevents the expansion of an industry, or specifically addresses an identified need within a specific area or region in Mindanao. Key enterprises are those that help lead to the establishment of a significant number of related enterprises. GEM-assisted investments in 84 key agribusiness enterprises totaled over PhP7 billion, and PhP246 million for 37 non-agribusiness SMEs.

The following are examples of agribusiness enterprises assisted by GEM:

- The PhP70-million GEM-assisted seaweed processing plant of Zamboanga Carageenan Manufacturing Corp. in Zamboanga City was especially significant. Western Mindanao and the Sulu Archipelago are the country's major seaweed producing areas (accounting for 70% of total Philippine production). With a factory in the production area, transportation costs were significantly reduced as producers no longer had to send raw seaweed to Cebu and Manila. The new plant encouraged more farmers to expand or initiate seaweed production in the area. In addition to financial packaging, GEM helped

the investor obtain credit from the Development Bank of the Philippines (DBP) and incentives from the Board of Investments and the DA under the AFMA law. The investor was also assisted by GEM in preparing the requirements for the purchase and installation of equipment and for the issuance of an Environmental Compliance Certificate.

- FSD Farms Agricultural Corporation established Jewel Feedmill the first Mindanao aqua-feedmill in Polomolok, South Cotabato to serve over 2,000 tilapia growers in Southern Mindanao, including growers in Lake Buluan and Sarangani Bay. The feedmill reduced the cost of feeds by 30% as inland fisherfolk no longer had to import their feed requirements from Manila.² The decision to invest came after GEM identified for the investor the existing and potential markets in Mindanao and assisted in site selection and approval of government permits.
- The incomes of over 370 farmers increased twofold when a consortium of 15 banana-producing cooperatives opened a banana chips factory in Kidapawan, Cotabato. GEM facilitated the joint venture between the consortium and the major shareholder, See's International, and provided technology training on new cultural practices and production management. Capable of processing 10 tons of raw materials daily, the factory addressed the need of farmers for a local processor that will readily absorb their produce upon harvest. They no longer had to wait for visiting traders or pay for additional farm-to-market transportation and handling costs. The factory served as a pilot project that convinced producer groups and cooperatives that a joint agribusiness venture engaging several cooperatives as shareholders could work.

GEM also assisted in establishing and expanding non-agribusiness SMEs and supported the formation of related enterprises in the area. To illustrate:

- GEM designed for RNF Summit Woodworking Shop a more systematic approach to saw milling operations. The system increased the production output of the shop by 7,000 board feet per eight hours shift. GEM prepared a critical review of the operation followed by a series of consultations and presentations of new technology. The initiative led to the PhP19-million expansion of the shop.
- With a PhP11-million kiln drying facility, the Bulakanon Agri-ventures Development Corporation, which GEM helped to establish in Makilala (Cotabato), was able to produce higher value wood products like furniture parts and components in addition to its traditional product lines (cable reels and pallets). The scientifically designed waste wood-fueled kiln dryer was one of several wood processing activities of GEM in Central Mindanao.

² The feedmill was inaugurated on October 17, 1997 with Ambassador Thomas Hubbard, then US Ambassador to the Philippines, as honored guest and in recognition of the technical assistance provided by USAID through the GEM Program.

- GEM also facilitated a number of subcontracting and similar arrangements between exporters and capable Mindanao SMEs in such sectors as furniture; gift, toys and housewares (GTH); and processed foods.

6.2.3 Other New Larger Investments

GEM investment promotion in major business conferences here and abroad and the matching of Mindanao investors and entrepreneurs with prospective joint venture partners resulted in a substantial number of other new larger investments. About 31% of GEM-assisted transactions represented new investments worth over PhP8 billion, generating 12,000 new jobs.

- The Lombard (Hongkong)-Limketkai (Mindanao) joint venture in foods and processing of edible oil (from corn) in Cagayan de Oro came at a time when foreign investors hesitated to invest in Mindanao. The final round of talks was stalled when Lombard, apparently disturbed by the media-projected negative image of Mindanao, took a wait-and-see stance. Upon the request of the local investor, GEM revived the talks and convinced Lombard that Northern Mindanao was generally peaceful and conducive to doing business. The region has always been one of the most peaceful and investor-friendly areas in the Philippines. Lombards eventually invested over US\$20 million, or 40% equity, into the venture.
- Residents of Kalamansig in Sultan Kudarat Province used to bring their produce to Lebak (about 10 kilometers away) via the rough road to Cotabato City. The Southern Philippines Transmarine Cooperative invested PhP40 million on a fast ferryboat to provide farmers and fisherfolk faster and more efficient access to the population center. Launched on September 9, 2000, it was the first commercial vessel to make a coastal run between the bay port of Kalamansig and the river port of Cotabato City. It triggered economic activity and revitalized the flow of trade and commerce in the coastal villages of Sultan Kudarat and Maguindanao provinces. GEM helped the investor identify and select a fast ferry that could make the investment worthwhile without compromising passenger safety and service quality. GEM also assisted the cooperative in availing of exemptions from import duties.
- Two GEM-facilitated buy-out transactions were particularly significant, not because of the capital outlay, but their impact on employees who were able to keep their jobs.
 - Maranaw Canning Corporation, the new entity formed by its parent company First Dominion Prime Holdings, bought the 10-hectare, 80-mt capacity plant of SANCANCO Canning Corporation in General Santos City and upgraded the plant to process 200 tons of fish daily. The PhP150 million investment saved the jobs of over 1,200 factory workers.
 - The newly organized Philippine Rubber Project Corporation, formed by employees of the former owners, acquired the rubber processing plant in Kabasalan, Zamboanga del Sur for PhP150 million. The buy-out allowed over 200 employees and workers of the plant to keep their jobs and over 1,000 raw material providers to continue

producing for the plant. The new owners modified the pricing and incentives schemes to favor small-scale rubber planters.

- When Dole-Skyland needed to expand its banana plantation in Bukidnon, it utilized GEM's familiarity with the area and its established network of producers groups. Dole-Skyland sought GEM assistance in identifying landowners in five Bukidnon towns who were willing to enter into a "land use management and partnership with guaranteed profit agreement." Citing the benefits that could be derived from the engagement, e.g. job opportunities with guaranteed income, GEM convinced 250 farmers (mostly in agrarian reform communities), to each commit one to five hectares of land. The project investment was US\$22 million, including the cost of constructing infrastructure facilities and improving and maintaining barangay roads in plantation communities. The expansion project (over 1,300 hectares) was in addition to the 200 hectares initiated in Barangay Kisolon (Sumilao, Bukidnon) by Dole and First Agrarian Reform MPC (FARM Cooperative), another GEM-assisted partnership.

Some GEM-assisted investments, particularly in the passenger transport business, stopped operations partly due to the Asian financial crisis. However, when they were operating, they provided essential services and created jobs.

- The PhP250-million fast ferry investment of Water Jet Shipping Corporation, the first to provide such service from Cagayan de Oro to major cities in the Visayas, reduced travel time by half and generated over 100 new jobs. GEM provided market information and helped the company prepare registration and documentation requirements. When the company closed, other operators had already entered the market. Passenger fast ferries plying to and from Cagayan de Oro continue to do well today.
- The labor union strike of Philippine Airline employees in 1998 caused the cancellation of PAL flights to some Mindanao destinations and adversely affected business and travel. The PhP500-million Mindanao-wide air service project of Corporate Air (Mindanao Express) filled the gap, providing air transport to over 60,000 passengers in underserved cities, Mindanao's missionary routes. GEM assisted the company in deciding to invest in the project by providing business information on viable routes, linking the company to institutional air service users in Mindanao, promoting the use of the new air service, and providing assistance in CAB, other documentation approvals and negotiations for possible bank financing. Mindanao Express stopped operations in 2000 mainly due to escalating lease payments and sharp currency depreciation. However, PAL, Air Philippines, Asian Spirit and SEAIR subsequently reopened/opened their routes to some Mindanao destinations that Mindanao Express was serving.

6.2.4 Private Investments in Telecommunication

Private sector investment in Mindanao telecommunications amounted to over PhP5 billion (See **Table 51** of the previous chapter). In support of the government's thrust to improve teledensity, GEM helped three large private telecommunication companies implement their roll out programs in Mindanao, based on the "service area scheme" (SAS) of the DOTC. GEM assisted the

Pilipino Telephone Corporation, Philippine Communications Corporation and Globe Telecom in placing PCOs in various municipalities, including rural areas that had no basic telephone services.

In addition, GEM helped small telephone operators interconnect with a telecommunications giant, Philippine Long Distance Telephone Company (PLDT). Interconnection provided rural exchanges the needed access to and from outside Mindanao. From 1996 through 2000, a total of 425,000 fixed telephone connections or lines were installed. In 1999, municipal and provincial as well as large telephone firms upgraded their equipment and coverage, resulting in 121,600 additional lines.

GEM assisted in the roll out programs for Mindanao by helping establish linkages between small telephone operators and the big industry players for joint ventures, and assisting small firms to obtain financing and new technologies. GEM likewise provided guidance in the licensing process and local ground contacts necessary to service remote areas that were considered less profitable by big telecom companies. Two GEM-assisted telecom projects were particularly significant as they adapted a technology (i.e., wireless technology) most appropriate for remote communities.

- The wireless local loop telephone system (involving an investment of PhP70 million) of Marbel Telephone System, Inc. (MTSI) in South Cotabato was Mindanao's first wireless facility. Initially, MTSI installed 3,038 lines in Koronadal using a combination of wireless local loop and digital equipment, 430 lines in Polomolok, and 407 lines in Surallah using relay equipment.
- The expansion of Camiguin Telephone Electric Cooperative's exchange capacity from 1,000 to 2,000 lines, using upgraded radio systems, allowed it to expand its service to subscribers within its coverage area in the 11 municipalities of the island province of Camiguin. The cooperative invested PhP12 million.

6.3 Trade and Investment Services in Conflict-Affected Areas

The peace agreement reached with the principal Muslim separatist organization operating in Central and Western Mindanao, including Sulu, Tawi-Tawi and Basilan, brought opportunities for economic prosperity to areas where continuing strife stopped economic activity. With the signing of the peace agreement, GEM had intensified enterprise development efforts in conflict-affected areas. Contract growing, market linkage and key enterprise projects were identified and received technical assistance.

In addition to the 140 donor and public funded small infrastructure projects discussed in the previous chapter, GEM assisted 160 private sector transactions worth PhP3.3 billion in conflict-affected areas (see **Annex 6-D**). In Central Mindanao, GEM helped in initiating and expanding 60 enterprise projects worth PhP728 million, mostly in Maguindanao and parts of Cotabato where encounters between government forces and the MILF and MNLF had occurred. In Western Mindanao (i.e, Zamboanga Peninsula, Zamboanga City, the provinces of Basilan, Sulu and Tawi-Tawi), 44 investments and transactions worth PhP542 million were facilitated. In

Basilan alone, GEM assisted 19 transactions worth over PhP156 million and helped two villages in Lamitan town obtain funding from the Embassy of New Zealand for a water supply project that benefited over 700 families. In Sulu and Tawi-Tawi, Piltel and PT&T were partnered by GEM with Mindanao entrepreneurs and invested over PhP170 million on telecommunication projects. In the SOCSKSARGEN area, including Sultan Kudarat, GEM assisted in closing 53 deals valued at PhP2 billion, the most significant of which are private investments in telecommunications, a livestock feedmill, a fish processing plant, and the buy-out of a tuna factory. In Lanao del Norte, GEM helped London Biscuit Company (LONBISCO) in 1997 to assess the existing equipment of its Iligan factory and acquire new equipment from the United States.

Following are examples of GEM trade and investment services in other conflict-affected areas:

- GEM helped over 100 former MNLF combatants residing in Barangay Palumbi, Sultan Kudarat, enter into a charge-to-crop production scheme with the DA. This was implemented under the cooperative management of the Central Kutawato State Revolutionary Command-MNLF Multipurpose Cooperative.
- GEM helped a group of farmers obtain a milling contract for fresh fruit bunch (FFB) which ensured continued production in their farms and kept a planned expansion on track. This allowed about 500 Muslim farm laborers to keep some 2,000 hectares of farmland productive in Tacurong, Sultan Kudarat.
- With GEM assistance, the Suluan-Suluan Lecom-Lecom Fishermen Association obtained financial assistance from the Countryside Development Fund through the DTI. A group of 150 Muslim small fisherfolk in Sarangani Bay used the money to adopt an alternative method of sustainable fishing introduced by GEM.
- Some 250 of the 312 members of the United Workers Agrarian Reform Beneficiaries Multi-purpose Cooperative in Isabel, Basilan, expanded in rubber production using a new technology called “triple hedge row system,” which GEM introduced upon recommendation of the Rubber Institute of Malaysia. Intercropping with coffee, the cooperative started with 50 hectares, expecting to increase productivity by maximizing farm inputs and preventing rapid depletion of soil nutrients due to mono-cropping.
- During the 1996 Rubber Marketing Forum in Zamboanga City, GEM introduced several rubber producing cooperatives (e.g., Sta Clara ARBIDC and Tumajubong ARBIDC of Basilan) to latex buyers (Traders Trust International, Crystal Rubber Corporation, among others) and helped them negotiate for higher buying prices. Some 3,500 members of three cooperatives from Tumajubong ARB benefited from this transaction. These activities, however, have been severely affected by recent conflict in Basilan.
- Other rubber producing cooperatives like the Tipo-Tipo ARB, Lamitan ARB Cooperative, and Basilan Federation of Multi-purpose Cooperatives also benefited from GEM training in nursery development and production and marketing techniques.

- GEM conducted seminars on technological advances in agroforestry involving fruit trees and guided site visits to fruit farms developed by the University of Southern Mindanao at Kabakan, North Cotabato. The participants were mostly farmers from Langkong Farmers MPC in Matanog and Balikatan sa Kaunlaran Foundation in Upi, Maguindanao who sought GEM assistance in developing their scion groves using improved varieties of high value fruits durian and lanzones. These nurseries have supplied the seedling requirements of over 50 fruit tree farms in Buldon and Barira, Maguindanao.
- The community-based reforestation project in and around Mt. Reina Regente is expected to yield long-term benefits for some 800 farm families in Sultan sa Barongis, Sultan Kudarat. Reina Regente had been devastated by encounters between government forces and rebels. GEM helped the peoples' organizations in the area obtain funding of Php365,000 from the Embassy of New Zealand for tools and production inputs. The business community in the nearby population center also helped by providing equipment for improving the village road while the ARMM-DENR provided planting materials.
- GEM assistance in crab fattening and tilapia production significantly improved the incomes of fisherfolk in conflict-affected areas (including some ELAP "graduates" in Lutayan, Sultan Kudarat who diversified into tilapia culture in Lake Buluan). The success story of Biruar Unag, a marginal crab grower turned crab consolidator for institutional markets in Manila, exemplified the growth of crab production in Cotabato City and neighboring towns.

6.4 The SZAED Program Trade and Investment Services

Working closely with local industry sector organizations, GEM facilitated 19 private investments (three of which were in ARMM) and one public investment in SZOPAD. These included a seaweed processing plant in Zamboanga, small solar water systems in Sulu, a fast ferry service out of Cotabato City, a buyout of a rubber processing plant, three fishing investments, other seaweed industry investments, three telecommunication projects (two in ARMM) and one large donor-assisted port investment that will directly benefit ARMM and SZOPAD residents. Six of these projects are "flagship" projects and three of these are in ARMM. Another US\$386 million in investments (eight projects in SZOPAD, five of which are in ARMM) have the key components in place (funding, proponents, site, markets, etc) but remain on hold. The proponents are waiting for environmental clearances, field trials of planting materials, resolution of legal issues, and an improved security situation before finalizing the projects. Overall, the SZAED program achieved US\$81 million of its US\$100-million investment target (See **Annex 6-E**).

The GEM Dipolog Field Office was established to accelerate trade and investment in Northwestern Mindanao. The office was responsible for initiating Php667 million in new economic activity, including an employee buy-out of a major rubber processing enterprise and the introduction of two new technologies that led to significant expansion in sustainable aquaculture activities in the area (See **Annex 6-A** under Northwestern Corridor section). Specifically, a variety of *tilapia* that flourishes in more saline water than the traditional *tilapia* varieties could tolerate was introduced, together with a system for the production of prawns

integrated with *tilapia* (sometimes referred to as “green water” technology) that aided disease control. The introduction of these two technologies encouraged local fish farmers to invest in integrated prawn culture with tilapia. The new technologies, introduced with SZAED assistance, are now being used successfully in Southern Mindanao and the Visayas.

6.5 Additional Transactions and Investments in 2001-2002

When GEM refocused its priorities from facilitating trade and investment to strengthening key and strategic business support organizations, there were a number of transactions under negotiation and planned investments yet to be implemented, hence were not included in **Annex 6-A**. Shown in **Table 6-2** are transactions and investments that were consummated and completed from April 2001 to September 2002, valued at Php370 million (US\$8 million).

6.6 Overall Results of GEM Trade and Investment Activities

The environment in which GEM worked was affected by a series of adverse events that hindered and, in extreme cases, stopped the implementation of investments and transactions. These events included the Asian Financial Crisis and its accompanying credit squeeze (1998-2002), the worst drought in decades (*El Niño* of 1998), and political turmoil. The already unfriendly working environment was exacerbated by the heightened conflict between the government and various Muslim armed groups (1999-2002) and the widely publicized kidnapping incidents by the Abu Sayyaf group (1999-2002). As a result, some investment commitments and initiated investments, usually the larger ones, were either scaled down or stopped.

Table 6-2
Additional GEM-Assisted Private Transactions/Investments
April 2001 – September 2002

Transaction/Investment	Proponent	Est. Cost in PhPM	GEM Assistance Provided
March 2001 to September 2002			
Seafood Processing Plant, (Cabadbaran, Agusan del Norte)	Integrated Aquaculture Specialist, Inc.	100.0	Provided technical assistance vital to rendering the plant operational, such as design of the water supply system and waste treatment facility. Reviewed the plant's operational and management systems and recommended changes/schedules.
Marketing of Higher Value Vegetables (sweet pepper, carrot, Bagoio beans and sweet peas)	Bukidnon Vegetable Producers Co-op (BVPC), Manolo Fortich, Bukidnon	1.2	Identified buyers and helped negotiate for better price. The buyers were among those listed in GEM published Buyer-Supplier Directory.
BVPC Hog Raising/Piggery	BVPC	0.7	Enterprise development expertise and technical inputs to pre-FS.

Transaction/Investment	Proponent	Est. Cost in PhPM	GEM Assistance Provided
March 2001 to September 2002			
Mega Fishing Private Port	Mega Fishing Corporation	100.0	Helped refine the FS by providing important technical inputs such as provision of pertinent data and review/comments on financial and operational aspects.
Production Capital Outlay for 250 Agrarian Reform Beneficiaries	Agumil Plantation and Nabuntauran Agrarian Reform Communities Integrated Co-op	3.0	Identified farmers who are able and willing to produce for and qualified to receive Agumill assistance.
Expansion of Fruit Processing Plant	De Oro Tropical Fruits Corporation	50.0	Identified and linked raw material suppliers to meet additional requirement of the plant expansion.
Booked Orders and Negotiated Sales during the Manila FAME Show/Exhibit (in April) consummated by 3 SMEs	3 GEM-BOSS assisted SMEs	16.9	Assisted under GEM Special Activity Fund for the Manila FAME trade exhibit.
Three-year Supply Contract for Fresh Pineapple (180 MT)	PAPANORMIN (producer) and Tamugan Cannery, Inc. (buyer)	20.4	Identified the buyer and helped the producer close the deal with better price. Provided post harvest/handling technology using plastic crates.
Agri-forestry Demo Farms in Caraga	LEAF Foundation and TREES Mindanao	0.4	Helped obtain (NALAPO) funding through TREES Mindanao, a GEM-assisted BSO.
Marketing of Dried Cassava Chips with La Tondena Distillers, Inc.	3 multi-purpose co-ops and 4 individual farmers assisted by the Gingoog City LGU.	10.8	Identified and linked farm-level processors/farmers to LTDL.
Prawn/Tilapia Production	Sia Prawn/Tilapia Farms, Lanao del Norte	7.5	Introduced new technology (TIPS).
BVPC Vacuum Frying Plant	Bukidnon Vegetable Producers Co-op (BVPC), Manolo Fortich, Bukidnon	10.9	Enterprise development expertise.
TOTAL (45 pesos: one US\$ rate)		321.8 (\$7 million)	

A review of GEM facilitated investments and transactions shows the following results:

- GEM technical assistance to private investors and joint venture partners and to cooperatives, firms and buyers led to private investments and transactions in October 1995 to March 2001 involving 365 projects initially valued at US\$792 million.

- Due to the dramatic changes in the business environment, some projects, particularly the large ones, either stopped or investment levels were scaled down. A total of 35 projects worth US\$249 million were stopped during this period while the others continued but at reduced levels of investment.
- From April 2001 to September 2002, and additional 13 projects, valued at US\$8 million, were completed.
- By the end of the Program, 343 projects worth US\$442 million were completed, operated and sustained over time.

Table 6-3 presents a summary of the value of GEM-assisted private investments and transactions, as found by a review conducted by GEM monitoring staff during the first quarter of 2001 (See details in **Annex 6-C**) and at the end of the Program. The review also included transactions that were validated in assessments undertaken in 1998 and 2000 by the Mindanao State University-General Santos City Foundation, Inc.

Independent surveys on the impact of GEM-assisted enterprises indicated that the average income of farm/fishing families that initiated and expanded production of more lucrative products or fisheries increased by over 100%. Many of the agribusiness enterprises that GEM helped to develop also created employment opportunities for the beneficiaries' families, contributing to overall family income. Another independent survey of the GEM-ELAP projects indicated that ELAP also made a positive and sustained impact on the lives of former MNLF combatants.³

New investments and jobs associated with subsequent expansion of GEM-assisted transactions, or those resulting from GEM investment promotion activities (e.g., business missions, investor meetings, business events) were usually not known, as these activities normally took place out of GEM's view. What is known, however, is that some GEM-assisted investment projects, including a few that ceased operations due to the unfavorable business environment between 1997 and 2000, were replicated by other business groups. Such was the case of the PhP40-million fast ferry service from Cagayan de Oro to Visayas and other Mindanao routes. When the GEM-assisted firm stopped operating in 1998, other companies opened fast ferry services serving Mindanao and Visayas routes. Many agribusiness projects initiated with GEM assistance (e.g., those involving mango and other tropical fruits, high value vegetables, potato, seafoods, etc.) were also replicated by more farmers and fisherfolk in nearby communities. If these could be counted, the level of investment, number of beneficiaries and jobs directly and indirectly generated by GEM assistance would be higher.

³ See Chapter 8 on GEM assistance to former MNLF combatants.

Table 6-3
Number and Value of GEM Facilitated Private Transactions and Investments

Private Transactions/Investments	No. of Projects/ Transactions	% of Total	Value in PhP Million	% of Total	Value in \$ Million
Investment Activities Initiated	365	100	23,370	100	792
Initiated but Stopped	35	10	7,060	30	249
Reduction in planned investment due to unfavorable business environment			3,200	14	109
Implemented/Operated October 1995-March 2001	330	90	13,109	56	434
Additional Projects April 2001-September 2002	13		370		8
Total Implemented/Operated	343		13,479		442
Public and Donor Funded Infrastructure Projects					
Implemented	151		5,666		145

6.7 Conclusion

The parallel onset of the Asian financial crisis and *El Niño*, the political turmoil in the nation's capital, the conflict with the MILF and kidnapping by the Abu Sayyaf had a significant impact on the investment environment in Mindanao and the Philippines. Notwithstanding these changes in the investment environment, the Program has provided Mindanao farmers, fisherfolk, other producer groups and firms to enter into a total of 378 investment projects and transactions worth PhP23.7 billion (US\$800 million), between October 1995 and September 2002, including:

- 27 contract growing transactions and 83 marketing agreements consummated, with a combined value of over PhP1 billion;
- 84 key agribusiness enterprises and 37 non-agribusiness enterprises totaling PhP8 billion;
- Matching of Mindanao businessmen with prospective joint venture partners, resulting in 129 other new investments worth over PhP8 billion; and
- Private sector investment in 18 telecommunications projects amounting to over PhP5 billion.

The severe impact of adverse domestic and international developments on the business environment in Mindanao is reflected in the number of planned large investments that were stopped or scaled back in size. Of the 365 projects initiated with GEM assistance, 35 projects valued at US\$249 million stopped. The level of investment of some of the other projects that continued was scaled down. This reduced the total private investment value of the 330 projects that were completed, operated or sustained during this period to US\$434 million.

Additionally, 13 new private transactions and investments worth US\$8 million were facilitated in April 2001 to September 2002. In total, 343 GEM-assisted projects, valued at US\$442 million, were implemented/operated during the life of the Program.

These investments helped improve the incomes of over 56,000 farmers/fisherfolk and generated 40,000 direct jobs (salaried and wage employees) and 37,000 indirect jobs (workers in ancillary industries). A number of surveys on GEM-assisted enterprises indicated that the average income of families receiving USAID assistance to initiate and expand production of more lucrative products or fisheries increased by over 100%.

New investments and jobs associated with subsequent expansion of GEM-assisted transactions are usually not known, as these activities normally took place out of GEM view. There are instances, however, where GEM-assisted private investment projects were replicated by other non-GEM direct clients. This was true for some transport service projects and many agribusiness projects. Also, investments and jobs resulting from many GEM activities (such as Mindanao-wide or regional promotions, GEM-assisted trade and investment missions, and numerous GEM facilitated meetings between potential investors) occurred out of GEM's view. If these transactions were known, the value of new investments, additional new jobs and beneficiaries would be above currently reported levels.

Chapter 7

GEM Support to BSOs for Policy Modification

7.0 Introduction

GEM aimed to help business support organizations' (BSOs) efforts to promote a policy environment conducive to private sector business development in Mindanao. GEM supported BSO policy modification activities that sought to (a) reduce the costs of doing business in Mindanao; (b) improve efficiency in the use and allocation of resources; and (c) establish an economic foundation for sustainable peace in the island.

In January 1996, a long-term policy agenda for Mindanao was developed by business organizations and business leaders in Mindanao, including OPAMIN, MEDCo and MBC. Their 15-point policy agenda, which was designed to improve trade and investment in Mindanao, incorporated policy issues that covered budget allocation, transport, banking and finance, governance, international trade, natural resources sustainability, and agriculture and agribusiness development.

Given the dynamic nature of policy work, the original long-term policy agenda underwent minor modifications to respond to changes in the socio-political and economic milieu in Mindanao, including the change in political administration in mid-1998. Subsequently, the policy agenda was re-validated and revised in late 1999. It evolved into an 11-point agenda that retained seven of the original major policy areas and added four other more focused policy issues that were deemed timely and relevant at that time (See **Table 7-1**).

Table 7-1
Long-Term Policy Agenda for Mindanao (1996-2002)¹

Revised Policy Agenda¹	Policy Issues
1. Continued allocation of an appropriate share of public infrastructure resources to Mindanao	1. Inappropriate share of public funds for Mindanao's transport and rural infrastructure needs 2. Limited financing sources/schemes to address Mindanao transport and rural infrastructure requirements 3. Unsynchronized infra investments programming and budget planning
2. Reduced costs of inter-island shipping, trucking and air transport	4. Higher sea freight rates because of: (a) cabotage practice; and (b) rent-seeking activities of port-based agencies 5. High transaction costs in land transport because of: (a) numerous illicit "toll" rates charge by police and military groups; and (b) poor road conditions due to low priority for maintenance/repair 6. Higher air rates and limited air route services because of non-practice of open skies policy 7. Institutional bottlenecks: too many regulatory functions by DPWH central office; PPA; CAB/ATO

Revised Policy Agenda ¹	Policy Issues
3. Increased financing for long-gestating crops	8. Restriction of Section 79 of the General Banking Act 9. Limited financing schemes for long-gestating crops
4. Adoption of equitable and production-enhancing land ownership/control policies in the post-CARL environment	10. Business uncertainty created by CARP 11. Non-collateral value of reformed lands 12. Finding new institutional modalities compatible to CARP
5. Freer movement of people and goods within EAGA and neighboring economies	13. Tariff harmonization of CEPT-related commodities and trade facilitation schemes with EAGA partners and other neighboring economies 14. Sustaining EAGA under regional economic turmoil 15. Extension of travel tax exemption
6. Optimal utilization of Mindanao's share of funds emanating from the coconut levy	16. Achieving a win-win situation in the legal dispute over the coconut levy funds 17. Greater access to coco levy funds by Mindanao coconut farmers 18. Coconut farms in Mindanao need rehabilitation (intensification, inter-cropping and diversification of coconut farms)
7. Elimination of barriers to the development of a vibrant seed industry in the Philippines	19. Need for a plant variety protection law
8. Establishment of a more level playing field for Islamic Banks in Mindanao ²	20. Revising Charter of Philippine Al Amanah Islamic Investment Bank which gives it monopoly status in Islamic banking to enable other Islamic banks to operate 21. Complying with one of the provisions in the Peace Accord (re: more Islamic Banks)
9. Establishment of a trade environment conducive for sustained growth of Mindanao's agriculture ³	22. Need to monitor AFMA (RA 8435) implementation, especially on GATT safety net resources of Mindanao 23. Need to input on the government's position for agriculture products in next WTO negotiations
10. Promoting private investments of planting fast-growing timber species in public and private lands ⁴	24. Lack of continuity of policies affecting tenurial security in public lands (25-year tenure renewable for another 25 years still holds) 25. Tree crops planted in private lands need to be recognized as agricultural crops 26. Constitutional bias against foreign investors in tree plantation development
11. Expansion of export-oriented assembly industry	27. Need to identify the constraints for the development of existing light manufacturing industries (food processing, gifts, toys and housewares, furniture and fixtures) and potential light industries (e.g., assembly industries)

NOTES:

¹ The original 15-point long-term policy agenda for 1996-1999 included items 1 to 7, plus the following: (8) Establishment of appropriately empowered and locally responsive offices of key national agencies; (9) GOP's full prompt compliance with

GATT obligations; (10) Adoption of “Mindanao-compatible” sanitary and phyto-sanitary standards (SPS) by the WTO; (11) Removal from the AFTA-CEPT Exclusion List of corn and marine products; (12) Extensive and appropriate use of private profit incentives for the protection and development of coastal and forestry resources in Mindanao; (13) Spread of an appropriately interconnected telecommunications network throughout Mindanao; (14) Establishment of a more level playing field for all banks and non-bank financial institutions in Mindanao; and (15) Privatization of idle or grossly underutilized post-harvest facilities in Mindanao.

² Previously part of Policy Area No. 14 on Establishment of a more level playing field for all banks and non-bank financial institutions in Mindanao.

³ Previously part of Policy Area No. 1 on GATT safety net resources, Policy Area No. 9 on GOP’s full and prompt compliance with GATT obligations, and Policy Area No. 11 on Removal from AFTA-CEPT exclusion list of corn and marine products.

⁴ Previously part of Policy Area No. 12 on Extensive and appropriate use of private profit incentives for the production/development of coastal and forestry resources).

Guided by the policy agenda, MBC, selected BSOs and other policy advocates¹ conducted policy research and analysis on issues affecting Mindanao; organized Mindanao-wide and regional forums to discuss these policy issues and recommend reforms; briefed government policymakers; monitored and followed-up advocacy efforts; and formulated a second-generation policy research agenda. GEM supported these efforts by helping prepare studies, policy memos and briefs, resolutions, position papers, presentation materials, speeches, media releases and news features (See **Figure 7-1**).

7.1 Summary of Policy Modification Gains

From January 1996 to September 2002, GEM worked closely with MEDCo and BSOs in preparing over 130 major policy research studies, policy briefs, and position papers. In addition, GEM helped its partners prepare business conference “resolutions” requesting recommended policy change that would make Mindanao a more attractive site for investments. These resolutions were usually presented to policymakers during major business events in Mindanao and elsewhere.² Program staff also prepared a large number of policy memos, speeches and presentation materials for government officials and private sector advocates of Mindanao development.³

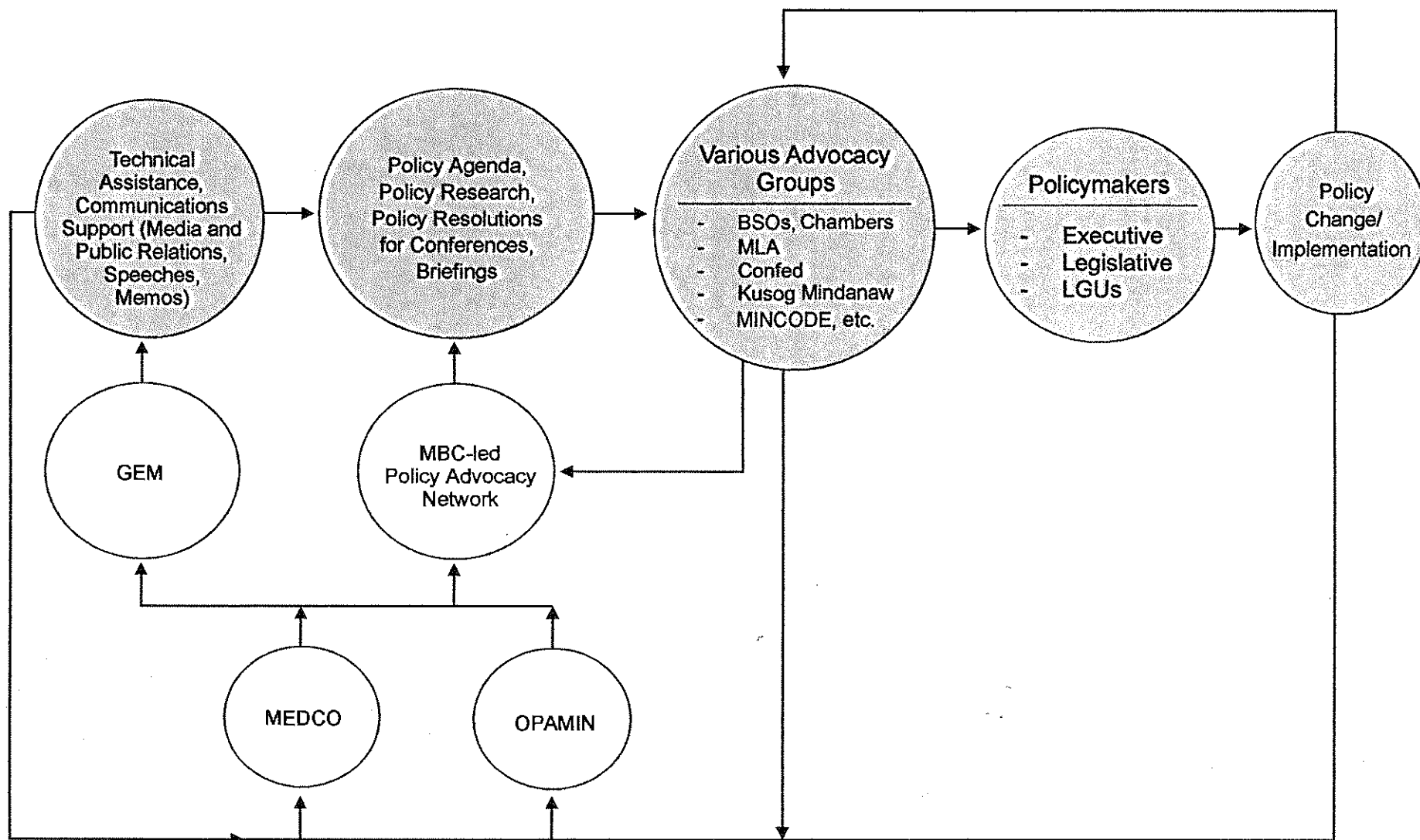
¹ Other policy advocates included: the Mindanao Lawmakers Association (MLA); Confederation of Mindanao Provincial Governors, City Mayors and Municipal Mayors League Presidents (Confed); Kusog Mindanaw; Mindanao Coalition of Development NGOs (MINCODE); Mindanao Agriculture and Fisheries Council (MAFC); MEDCo Task Forces on Roads, Telecommunications, Water Transport, and Poverty; Legion of Peace and Development Advocates; Philippine Chamber of Commerce and Industry (PCCI); Management Association of the Philippines (MAP); other Mindanao and national NGO groups, etc.

² Among the major events used as venue for advocating for policy reforms were the annual Mindanao Business Conferences; various Mindanao-wide, regional and national industry congresses (e.g., Mango Congress, Seaweed Congress, Fruit Congress, Tree Farmers Congress, Food Congress); National Food Security Summit; Mindanao Budget Summit; Confed and MLA meetings; Muslim Business Summit; ARMM Business Conference; Northern Mindanao Shipping Conference; BIMP-EAGA Conferences; Cabinet meetings; and Mindanao Task Force meetings.

³ These include the President of the Philippines, cabinet secretaries, legislators, LGU officials, Presidential Assistants for Mindanao, heads of government bureaus, MBC, MEDCo, government sectoral commissions and task forces, NGO leaders, USAID, other donor agencies, etc.

Figure 7-1

Operational Framework of GEM-supported BSO Policy Activities



7.1.1 Policy Agenda 1: Continued Allocation of an Appropriate Share of Public Infrastructure Resources to Mindanao

A major constraint to the rapid development of Mindanao has been the limited infrastructure development in the island. Historically, only a small share of the national government infrastructure budget was allotted to the island, despite the fact that it constitutes 25% of the country's population and 34% of the nation's land area. In the past, Mindanao received only a small share of the combined infrastructure budget of the DPWH, DOTC, NIA, and DA. Because of the imbalanced allocation of infrastructure expenditure, the quantity of infrastructure constructed in the island has been low. Insufficient provisions for repair and maintenance accelerated the deterioration of these facilities. For these reasons, the increased allocation of public infrastructure resources to Mindanao was foremost in the long-term policy agenda.

GEM assisted MEDCo and other business support organizations in their efforts to lobby for an increased Mindanao share of the national infrastructure budget from an annual average of 11% in the 1980s and early 1990s to 27 percent in 2002. The President of the Philippines has committed to increase the budget share to 31-34% within the next two years.

Committees were set up within MEDCo to monitor Mindanao's share of the infrastructure budget. In addition, the Philippine Government has adopted MEDCo and MBC's Mindanao infrastructure agenda as a reference for planning, budgeting, and programming. The agenda recommends increasing Mindanao's infrastructure budget and helping accelerate delayed infrastructure projects.

GEM's assistance to BSOs helped yield the following policy changes:

1. As allotted by the General Appropriations Act (GAA), Mindanao's share of the national infrastructure budget was increased from an annual average of 11% in the 1980s and early 1990s to 27% in 2002. The President of the Philippines committed to increase the budget share to 31-34% within the next two years.⁴
2. Prioritization of the development of Mindanao's agricultural sector under Republic Act No. 8435 or the Agriculture and Fisheries Modernization Act (AFMA). In line with this, government committed to transform Mindanao into the country's "food basket" given its comparative advantage in agricultural production.
3. Institutional reforms that would improve the efficiency and equity in the allocation and use of public infrastructure resources, including:
 - Further decentralization of DPWH's role and functions by increasing the delegated authority of its regional offices and the District Engineering Office to implement

⁴ This landmark achievement was achieved through a series of advocacy activities, highlighted by the conduct of the Mindanao Budget Summit (MBS) in October 1999. This forum became the venue for Mindanao's stakeholders to present their position for an increased budget for Mindanao to the President of the Philippines, cabinet secretaries, and legislators. The holding of the 2nd MBS in June 2002 institutionalized this advocacy process as an effective one.

projects costing up to PhP50 million (previously PhP30 million) and PhP20 million (previously PhP5 million), respectively;

- Amendment to DPWH's block allocation formula, which favored more populous areas in apportioning its budget among regions, to take into account the development requirements and comparative advantages of regions in Mindanao and other parts of the country;
 - Streamlining and simplification by NEDA of the evaluation procedures for projects using ODA, which reduced the time frame from six weeks to four weeks;
 - Lowering the wage allotment by NIA for the counterpart share of participating LGUs in irrigation projects;
 - Synchronization of the LGU budget and investment planning process (starting in GAA 2001) with the government departments/agencies planning time to reflect local priorities;
 - Completion of guidelines for the DBM's use and allocation of the PhP50 million fund for carrying out feasibility studies for rural infrastructure in Mindanao;
 - Establishment of a common framework for transport and rural infrastructure development, (adoption of the integrated area development approach in infrastructure planning and mobilization of public resources); a broad-based participatory/consultative process for investment and budget planning; implementation of investment and budget synchronization process in Mindanao for the proposed GAA 2002; and
 - Establishment of two national advocacy groups/national committees that will ensure Mindanao's fair share of the infrastructure budget. The Steering Committee on Mindanao Infrastructure Budget (SCMIB) and the Special Committee on Mindanao Affairs (SCMA) were formed to monitor the island's share of the public sector funds for infrastructure and to advocate for more appropriate budget allocations for Mindanao. The SCMIB, chaired by the Executive Secretary, oversees the implementation of the tasks specified in Presidential directives. It has also established a task force that closely monitors Mindanao's budget share, investment and budget planning process, and the use and allocation of its infrastructure budget. The SCMA has been actively conducting a series of hearings to ascertain Mindanao's share in the infrastructure budget.
4. The government, particularly DPWH, has adopted Mindanao's infrastructure agenda as a reference for planning, budgeting and programming purposes. The agenda recommends policy recommendations on increasing Mindanao's infrastructure budget, addressing delayed projects, and accelerating ongoing and pipeline projects.

5. An increased awareness among the Mindanao constituents, particularly legislators and LGU officials, of the backlogs in the infrastructure budgetary allocation and implementation of infrastructure projects in the island. This has prompted them to actively advocate for increased resources and greater priority to developing Mindanao's infrastructure.

7.1.2 Policy Agenda 2: Reduced Costs of Inter-Island Shipping, Trucking and Air Transport

This policy agenda item was corollary to the first one, though it focused on the facilities that will facilitate the transport of Mindanao produce (mostly agricultural) from the island to other places in the country and abroad, and the policies that will accelerate the provision of these facilities. A major contributory factor in the high prices of Mindanao goods relative to competitors in neighboring Asian countries is the exorbitant cost of transport. If Mindanaoans were to become competitive, particularly with the ratification of the WTO Agreement, this issue needed to be addressed. In view of the huge investment required to provide these facilities, the policy change focused on enabling others, particularly the private sector, to take an active role in building the required infrastructure. To be able to recommend appropriate policy reform, it was also necessary to do an inventory of existing facilities and pinpoint the infrastructure gaps.

Progress has been made in addressing competitiveness in shipping and port operations. GEM helped its partners convince the President of the Philippines to become an active advocate and champion for efforts to reduce the cost of shipping and port handling services.

Through the advocacy efforts of the Mindanao Business Council (MBC) and its counterpart organizations based in Manila, the President of the Philippines ordered the Philippine Ports Authority (PPA) and the Maritime Industry Authority (MARINA) to unbundle the transport logistics cost in order to identify the stages in the supply chain where cost reductions needed to be made. Further, the President ordered PPA to formulate a cost-based methodology in setting the tariff of port cargo handling services.

As an initial step to reduce sea transport cost, PPA suspended the implementation of the proposed increases in wharfage and usage fees being collected by the government in various ports. PPA pegged its share at a maximum of 10 percent from the revenues of private cargo handling firms licensed to operate at public ports.

To provide a forum for the active participation of the private sector on matters related with port operation and policy directions, the President directed PPA to re-activate the National Port Advisory Council (NPAC) and to make sure that private sector groups such as the MBC are members. As a permanent NPAC member, MBC, with technical assistance from GEM, has actively participated in the discussions of policies on port tariff, labor and operation, and port development.

Together with other private sector groups, MBC advocated to the government for the promotion of roll-on-roll-off (RORO) shipping as an alternative to the traditional, more costly lift-on-lift-off (LOLO) mode. MBC and its partners initiated the advocacy efforts for the government to

formulate policies supporting RORO shipping. Executive Order No. 170 was issued by the President supporting private sector participation and investments in the Road Roll-On-Roll-Off Terminal System (RRTS).

Following are additional achievements under this policy area, some in the form of actual policy reform while others were in the form of legislative bills which have been filed in Congress. It takes considerable time for bills to be passed into laws but the act of filing is a critical step in calling attention to the need for reforms.

1. The passage of a “Uniform Port Tariff” agreement between Indonesia and the Philippines has encouraged more ship transit between the two countries as a foreign-owned vessel is treated as a national vessel and will be charged a lower port tariff for berthing and other ship-related services.
2. Entry of domestic/foreign owned airlines servicing Mindanao under a partial open skies policy with EAGA broke the monopoly hold of the Philippine Airlines in servicing Mindanao routes and allowed greater competition among airline companies. This translated into increased flight frequency, shorter and more direct routes, and lower airfare.
3. The travel tax exemption for all air and sea passengers traveling within the EAGA region (a savings of PhP1,600 for every traveler) was extended to 2004. The suspension of the travel tax has led to greater cross-border travel.
4. Advocacy work was initiated for a “Fifth Freedom” air policy to enable foreign and other airlines to service Mindanao and carry passengers/cargoes to a foreign country. This is expected to increase tourist travel and cargo transit due to reduced airfare and freight costs. Current efforts are focused on getting fifth freedom traffic rights (FFTR) for EAGA-bound flights from Mindanao.
5. Section 1 of RA 8435 gives priority to the development of Mindanao airports, specifically cargo facilities/services for perishable products.
6. House Bill (HB) 48120 was filed and passed its second reading. This bill calls for a more liberal interpretation of the cabotage law. The current law prohibits foreign vessels from transporting cargo and passengers from one domestic port to another. Since most imported materials are landed in Manila, the cost of shipping goods to Mindanao is quite high. HB 48120 would open competition on domestic water routes to foreign-owned vessels in an effort to lower shipping costs. House Resolution No. 544 calls for the creation of a multi-sectoral task force to review the cabotage practice and the high freight costs and port charges in Mindanao.
7. Executive Order (EO) 59, which calls for the “unification” of all sea port operators and service providers at each PPA port into one corporation, was rescinded.
8. GEM reviewed various bills proposed to Congress concerning the amendments of the PPA Charter. The Congressional Committee on Mindanao Affairs submitted GEM’s written

review to the House Committee on Transport, which argued that the proposed bills do not efficiently and effectively separate the commercial and regulatory functions of the PPA; do not ensure private sector participation in infrastructure development; do not efficiently delineate the tasks between PPA and the LGUs with respect to municipal ports; and do not prevent PPA's regulatory function from stemming competition in the provision and delivery of port services/infrastructure. The Mindanao business community continues to advocate for the charter amendment.

9. Results and recommendations of GEM's study on the present state of the trucking industry in Mindanao, the cost involved in transporting agriculture and forest-based products from major production areas to demand centers, and the factors that contribute to high trucking costs, served as basis for several resolutions passed in various congresses such as the Mindanao Food Congress, Mango Congress, Fruit Congress, and the National Tree Congress.
10. Government agreed to the use of cost recovery as basis for determining the appropriate rates of tariffs levied in ports.
11. Presidential Directive to the Philippine Shippers Bureau was issued to review the training, registration, evaluation and accreditation of freight forwarders, and to prepare an action plan for implementation.
12. Guidelines for the implementation of EO 213 (on the deregulation of freight rates) were revised by MARINA in consideration of GEM's written comments. However, MARINA still pegs the freight rates of non-containerized agriculture commodities.
13. Petition for a roll-back in cargo handling rates in Mindanao ports, which have been substantially increased several times "without proper consultation as required by law."
14. DOTC administrative order promoting the use of roll-on roll-off (RORO) shipping services in Mindanao and rationalizing cargo handling rates was drafted. There is also a private sector proposal to pilot a full RORO shipping service for the Manila-Cebu-Mindanao route.

7.1.3 Policy Agenda 3: Greater Availability of Financing for Long-Gestating Crops

Long-gestating crops (LGCs) are crops which bear fruit or can only be harvested after five or more years. Among these crops are mango, durian, palm oil, g'melina, rubber, and coconut. About 90% of the country's LGCs are found in Mindanao. The full development of this sector is hampered by the lack of credit facilities that cater to its needs. Section 79 of the old General Banking Act (GBA) only provided for a three-year grace period for the amortization of the loan principal. This meant that crops which could be harvested only after five years or more were at a disadvantage because they were still not at the "earning" stage. For Mindanao's agricultural sector to fully develop, it was important to have this particular provision of the law modified.

Policy modifications in this area include:

1. The GBA, including Section 79, was amended. The GBA now allows for a five-year interest moratorium for loans related to long-gestating agriculture and fisheries projects. Mindanaoans continue to advocate for a maximum grace period of seven years.
2. Memorandum Circular 217 series of 1999 of the Bangko Sentral ng Pilipinas and Sec. 24 of the AFMA (RA 8435), providing for more appropriate financing terms for the production of long gestating crops, was approved by the Monetary Board. The MC allows banks to extend loans/guarantees with a grace period of up to seven years for viable long-gestating agriculture and fisheries projects.
3. The DA launched a “Gintong Ani Rubber Development Program” because rubber is one of the LGCs solely produced in Mindanao. The DA set aside PhP20 million, and the Department of Agrarian Reform (DAR) PhP100 million, for the rehabilitation of rubber farms in Basilan, Zamboanga del Norte and North Cotabato, areas where many Muslims and Lumads live.
4. Financing windows for LGCs were created in the Land Bank of the Philippines and the Development Bank of the Philippines.
5. Provision of the perennial crop fund was incorporated in the Irrigation and Agricultural Productivity Enhancement Bill.
6. Substantial increases were provided in the DA’s budget allocations for high value crops and perennial crops.

7.1.4 Policy Agenda 4: Adoption of Equitable and Production-Enhancing Land Ownership/Control Policies in the Post-CARL Environment

RA 6657 or the “Comprehensive Agrarian Reform Law” (CARL) was promulgated in June 1988 and was scheduled to be implemented within a 10-year time frame. Businessmen and potential investors complained that the law discouraged investments in the agricultural sector because of the uncertainty over the ownership of agricultural lands and the loss of collateral value of such land in view of the uncertainty generated by the implementation of the re-distributive measure. Others felt that innovative institutional mechanisms can be implemented, such as contract-growing or leaseback, which do not violate CARL but allow agribusiness firms to have access to large tracts of land and operate competitively and profitably.

With a predominantly agricultural economy and given vast tracts of lands under commercial operations, the issue of agrarian reform cannot be ignored in Mindanao. Moreover, with the impending termination of implementation of the reform measure in 1998, there was a need to preserve the gains of CARL in terms of a more equitable distribution of land while ensuring that these farms are efficient enough to produce adequate income for their beneficiaries, and compete in the world market. However, another law, RA 8532 passed by Congress in 1998, extended the implementation period for the reform program by another ten years.

Policy modification efforts resulted in the following gains:

1. Passage of a Presidential Agrarian Reform Council (PARC) Resolution promoting joint-ventures and similar schemes in Agrarian Reform Communities (ARCs) to enable agribusiness firms to have access to large tracts of contiguous lands;
2. Prioritization of ARCs for development by RA 8435 (AFMA); and
3. Repeal of LOI Nos. 58 and 790, which arbitrarily limited banana production to a few designated marketing firms, through RA 6657.

7.1.5 Policy Agenda 5: Freer Movement of People and Goods within EAGA and Neighboring Economies

Established in March 1994, the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) was intended to promote trade, tourism and investments in the region. As an economic growth cooperation body, it conforms to the principles of the AFTA-CEPT and the WTO.

The Mindanao 2000 Development Framework Plan, conceived by BIMP-EAGA, is an integral component of Mindanao's economic development as it (a) diversifies the market for the island's products, no longer solely dependent on the Metro Manila or Cebu; (b) exposes Mindanao businessmen to the dynamics of the international market; (c) allows Muslim entrepreneurs to interact with their more progressive counterparts in Muslim countries like Malaysia, Indonesia and Brunei; (d) emphasizes the strategic importance of Mindanao to the country; and (e) re-establishes the historical trading links among the EAGA countries.

Given the strategic, political and economic importance of EAGA in the development of Mindanao, its success had to be promoted. One concrete way to ensure the attainment of EAGA's goal is to advocate for the free movement of people and goods within the sub-region. GEM's support in this area contributed to the following policy changes:

1. Issuance of Memorandum Order No. 496 by the Office of the President allowing Filipino tourists, visitors and businessmen traveling within the EAGA region to be exempted from paying the PhP1,600 travel tax. This exemption has been extended several times, the latest up to June 2004.
2. Declaration of Bongao Port in Tawi-Tawi as an International Port of Entry to foster trade and tourism and to enable vessels from EAGA countries to enter Muslim-dominated areas (outside of the Zamboanga City port).
3. Establishment of Border Crossing Stations which issue border crossing passes to facilitate movement of people between Tawi-Tawi and Malaysia, legalizing such travel and affording protection to the traveler, particularly in the Malaysian territory.

4. UPT agreements were signed for the Philippines, Indonesia, and Brunei. These will lower the shipping costs of cargoes transported between the three markets.
5. Presidential Directive given to DOTC, through the CAB, to review the granting of FFTR to Davao-Zamboanga-Kota Kinabalu and Brunei-Darussalam-Puerto Princesa-Davao routes.
6. The national government declared continued support for the revitalization of BIMP-EAGA and designated MEDCo as coordinating agency for Philippine participation in the sub-regional cooperation.
7. Initiatives to harmonize customs, immigration, quarantine and security (CIQS) policies, rules and regulations among the EAGA countries continue to date. Efforts now focus on CIQS harmonization on a port-to-port basis.
8. Cargo and passenger sea and air routes between Mindanao and EAGA were opened, including the following: (a) Davao-Bitung; (b) General Santos-Bitung; (c) Zamboanga-Sandakan; (d) Zamboanga-Bongao-Tawau; (e) Davao-Manado; (f) General Santos-Manado; (g) Davao-Kota Kinabalu; and (h) Davao-Manado-Bali.

7.1.6 Policy Agenda 6: Optimal Utilization of Mindanao's Share of Funds Emanating from the "Coconut Levy"

Due to low productivity, the coconut industry accounts for only 9% of agriculture value added (GVA) despite the fact that a third of the Philippine agricultural land is devoted to its production. Over the past decade, the industry's GVA has been declining, heavily contributing to the slowdown in agricultural growth. The declining supply of copra has constrained the growth of a major agro-industry: coconut milling and refining.

Mindanao may not attain a projected 4% annual growth in agriculture in the next 15 years unless the productivity of its 1.5 million hectares of coconut land improves through productivity enhancement and diversification. About 75% of coconut farmers are classified as poor, higher than the 73% for all agricultural families. Without a turnaround in the performance of the coconut sector, the severe poverty incidence in Mindanao's coconut areas may not be addressed.

Mindanao accounts for 64% of national coconut production and 52% of planted areas. The coconut levy funds which were collected from farmers during the Marcos era are now estimated to be worth PhP150 billion, half of which are invested in San Miguel Corporation shares. The Supreme Court previously decided that the funds are of "public use" in nature. Assuming that Mindanao will have access to just half of the interest proceeds of the levy funds, this would be a tremendous resource for agricultural growth in the island.

Because of the highly politicized nature of this policy issue and the strong opposition to the reform measure by the main actors in the coconut levy controversy, only limited success was obtained through GEM assistance. Among them were:

1. The issuance of EO 481 which strongly alluded to the public character of the fund, and ordered the Presidential Commission on Good Government to lift its sequestration of the coconut fund assets so that it may be used to revive the coconut industry. The Sandiganbayan, however, reiterated its jurisdiction over the ownership of the funds and stopped any moves to release the coconut levy assets.
2. The filing of HB 7417 and HB 298 reaffirmed the status of coconut levy funds and assets as public funds and strengthened the small coconut farmers' participation in the development of the coconut industry.
3. An EO "Creating a Trust Fund for the Benefit of the Coconut Industry" was signed but is perceived to be more of a political strategy than a genuine effort to rehabilitate the industry.
4. Increased level of public awareness of the need to release the coconut levy funds and for Mindanao to get at least half of the funds considering the industry's production performance in the island.

7.1.7 Policy Agenda 7: Elimination of Barriers to the Development of a Vibrant Seed Industry in the Philippines

Despite the advent of high technological processes in seed production, the Philippines suffers from the lack of sufficient supply of seeds and planting materials to sustain the increasing needs of small farmers, as well as the commercial farming and horticultural community. On an individual commodity basis, the country still needs high quality seeds for the production of superior varieties of fruits (e.g., disease-resistant solo papaya) and vegetables (e.g., white potato). Corn farmers are often faced with the option of using second-generation seeds which are generally of inferior quality. This is one of the reasons why the yield of Philippine farms has remained low.

A previous study claims that the single most important source of agricultural growth in the medium and long-term will be in yield, which will result from the adoption of modern seed varieties. Another critical problem related is that there are no definite ownership rights or forms of protection being accorded to genetic planting materials. Although farmers and commercial planters can avail of a wide variety of seeds and planting materials, there is not enough incentive or motivation for researchers or scientists to discover new varieties and improve existing ones. This contributes to the deterioration of the genetic base of local planting materials.

GEM assisted producer associations' efforts to promote the adoption of modern seed varieties and planting materials in order to expand and sustain production. MBC used a GEM paper, "The Philippine Seed Industry: Challenges and Prospects for the 21st Century," to help pass an Intellectual Property Rights Law that partially protects the intellectual property rights for genetic seeds and planting materials.

The following policy reforms were achieved by BSOs:

1. The “Sui generis” system has been included in the Intellectual Property Rights Law passed by Congress.
2. Sections 15 and 82 of RA 8435 provided for the development of a vibrant seed industry in the country as a key component in the task of modernizing Philippine agriculture.
3. HB 1070, SB 108 and SB 1912 on “Plant Variety Protection” have been filed in Congress. These measures recommend the protection of new plant varieties consistent with the Union for the Protection of Plant Varieties Property Rights Act of 1978, which will meet the requirements of WTO’s trade-related aspects of intellectual property rights. The bill has passed the First Reading.
4. Reduction of the tariffs on imported seeds and planting materials to only 3%.

7.1.8 Policy Agenda 8: Establishment of a More Level Playing Field for Islamic Banks in Mindanao

The liberalization of the country’s financial markets over the past 10 years has led to significant improvements and expansion in the national banking industry. However, the benefits of this expansion have not trickled down to the regions and provinces. A major reason is that banks and financial institutions (e.g., rural banks, cooperative banks, credit unions), despite the increase in number of their branches in the countryside, do not have services or loan packages that suit the needs of the small-scale sector.

Initially, GEM examined the banking requirements and regulations that impede the provision of better and more competitive services to the general public, particularly for small-scale borrowers. GEM’s assistance later focused on encouraging the entry of more Islamic banks in Mindanao. This was meant to contribute to the government’s peace and development program by encouraging greater participation of the Muslim business community in the mainstream economy. Muslims have less access to borrowed funds. Under the Shariah system, banks should not profit from interest income but on equity sharing. Except for the Philippine Al-Amanah Islamic Investment Bank, which is in financial distress and is in no position to operate, no other bank is allowed to provide Islamic banking services in the country.

The policy initiatives undertaken in this area were as follows:

1. Liberalizing the entry of banks and other financial institutions was included in the Peace Agreement signed by the government with the MNLF in September 1996.
2. As a major step in opening more Islamic banking facilities, a bill entitled “The Islamic Banking Act” was drafted by the BSP and formally endorsed to the Committee on Banks, Financial Institutions and Currencies of the Lower House and the Senate. The proposed legislation will allow local and foreign investors to establish Islamic banks in the Philippines. Advocacy efforts to have the bill passed continue to date.

3. Government favorably responded to advocacy efforts calling for the privatization of the Philippine Al-Amanah Bank with a commitment to sell its 86% share to Malaysian investors.
4. Malaysia-based Maybank established a branch in Zamboanga City, which would further encourage cross-border trade and investments between Mindanao and the predominantly Muslim EAGA region.

7.1.9 Policy Agenda 9: Establishment of a Trade Environment Conducive for Sustained Growth of Mindanao's Agriculture

With the Philippines' accession to the WTO, Mindanao's agriculture sector has to brace itself for the challenges and opportunities posed by the ensuing regime of full trade liberalization and international competition by 2004. In the latter half of the 1990s, the government started providing the so-called "GATT Safety Nets," a package of measures (including the construction of farm-related infrastructure) to prepare the Philippine agriculture sector for such competition. A substantial amount of funding was programmed for this purpose and most of the DA's activities revolved around the implementation of the "safety nets." As the Mindanao economy is predominantly agricultural, GEM stressed that a substantial portion of these funds should be devoted to the island.

Part of the adjustment mechanism provided in the WTO Agreement was the conversion of previous quantitative restrictions or quotas to initially high tariff rates which were scheduled to gradually decrease during the stipulated ten-year adjustment period. To induce trading during this phase, a minimum access volume (MAV) of the commodity based on the average of the three-year import track record of the country will be allowed to enter the Philippines at a considerably lower tariff. Once this volume is reached, the higher tariff will automatically be imposed. The tariff differential between the so-called "in-quota" under the MAV and the "out-quota" or those products imported outside of the MAV privilege was anticipated to be substantial. The government promised this fund as part of the "safety nets."

Consistent with the WTO agreement, the Asean Free Trade Area (AFTA) is envisioned to liberalize trade in the region, via the Comprehensive Effective Preferential Tariff (CEPT), which is an agreed tariff reduction scheme among the Asean countries. In the case of BIMP-EAGA, Mindanao is the most competitive island-province in the production of corn and selected marine products, as well as such products as pineapple, banana, mango, asparagus, and even palm oil. Mindanao, therefore, has much to gain if these commodities were placed under the inclusion list of products whose tariffs will be lowered. Reduced tariffs will allow Mindanao producers greater access to the markets of the other BIMP countries.

A corollary agenda in enhancing Mindanao's agriculture sector is the forging of international cooperation agreements with trading partners, especially those in the BIMP-EAGA. This was seen to contribute to the sector's international competitiveness. A further policy issue that arose in the course of GEM implementation was on the introduction of biotechnology to enhance the competitiveness of Mindanao's agriculture sector. This pertains to the promotion of genetically modified organisms (GMO).

The President of the Philippines has become an active partner for policy change to assure the sustainability of the fishing industry by increasing competitiveness and reducing resource depletion. As part of this effort GEM provided technical assistance to industry leaders and GOP officials who entered into multilateral and bilateral negotiations to help manage and sustain resources while providing increased access to selected fishing grounds.

With GEM technical support, a bilateral fishing access and management agreement was negotiated with Indonesia. The agreement assures access to 50,000 metric tons of tuna in Indonesian waters, valued at US\$40 million. It allows 75 Filipino purse seiners and 10 longliners (mostly from Mindanao) to fish in the Indonesian Exclusive Economic Zone for tuna and tuna-like species.

GEM also supported efforts to increase the use of biotechnology. For example, GEM assisted MBC and other business organizations in their efforts to promote trials and later commercialization of BT corn. Trial testing proved that BT corn resisted corn borer (a major problem of corn growers in Mindanao) and doubled yields. As a result, the DA has approved the commercialization of BT corn.

GEM's support of this policy agenda contributed to the following:

1. To ensure the provision of the "GATT Safety Nets" to the farmers, GEM assisted civil society groups and the DA in establishing a GATT monitoring system at the DA's National Agriculture and Fisheries Council.
2. The passage of DA's MAV Administrative Order No. 8 series of 1998 allowed greater transparency in the allocation of the MAV fund and the representation of Mindanao in the board that oversees the allocation of MAV proceeds.
3. The Office of the President issued EO 410 de-monopolizing cargo handling services as high cargo handling costs increased the prices of MAV products brought to Mindanao and other island provinces.
4. A portion of La Niña funds was allocated for the construction of small irrigation systems for Mindanao.
5. Canned pineapple, tuna and bananas have been transferred from the Exclusion to the Inclusion List.
6. DA Administrative Order No. 5 (series of 2000) on the rules and regulations to maintain Mindanao as a Foot-and-Mouth Disease (FMD)-free zone was issued, regulating the movement and shipment of FMD-susceptible animals and making Mindanao internationally recognized as FMD-free.
7. Philippine and Sabah officials initiated discussions on the possible harmonization of tariffs on canned pineapples, poultry and tuna, products which Mindanao produces in large volume.

8. DA has given higher priority to the development of the palm oil, tuna, and seaweed industries in Mindanao.
9. The proposed increase in tariffs on plastic products has been shelved for the moment in view of its potential impact on the Cavendish banana industry, in which Mindanao is a major player.
10. There are continuing discussions of GOP with WTO and the European Union (EU) aimed at modifying the protective 24% tariff barrier on Philippine canned tuna exports to Europe.
11. A bilateral fisheries cooperation agreement was recently signed between the Philippines and Indonesia, allowing 75 Filipino purse seiners and 10 longliners (mostly from Mindanao) to fish in the Indonesian Exclusive Economic Zone for tuna and tuna-like species. This will boost the thriving tuna fishing and processing sector of Mindanao.
12. Negotiations for similar bilateral fishing access agreements with Papua New Guinea, Palau and other Pacific Island Nations were initiated and are ongoing.
13. The Philippines became an active participant and a signatory to the Multilateral High Level Convention on Management and Conservation of Migratory Species in the Central and Western Pacific (MHLC), which will develop a regional commission to manage the pelagic resources (mainly tuna) of the tropical Pacific.⁵
14. The tuna industry is also working closely with DFA and DA to participate in a UN-sponsored initiative to combat illegal, unreported, and unregulated fishing. This new initiative, in conjunction with MHLC, will improve registration and data reporting of commercial fleets, and bolster the Philippines' image as a responsible player in international fisheries.
15. The conduct of biotechnology studies and field testing of biotechnology crops have been approved by the DA to allay fears and initial adverse reactions to the introduction of biotechnology crops in Mindanao, specifically BT corn.

7.1.10 Policy Agenda 10: Promoting Private Investments of Planting Fast-Growing Timber Species in Public and Private Lands

In view of the rapid degradation of coastal and forestry resources in Mindanao, the government has implemented a number of conservation and protection measures. Unfortunately, most of these rely on public sector efforts, which are often ineffective due to rent-seeking activities at the local level and the lack of resources on the part of the enforcers of these regulatory measures. Countries successful in their conservation/protection campaigns relied heavily on the involvement of the private sector and civil society groups. GEM thought that it could a similar partnership between the government and the private sector in the pursuit of an environmentally

⁵ The MHLC and fisheries agreements are discussed in greater detail in Chapter 2.

friendly resources management program. Given Mindanao's strong wood resource and industry base, efforts were focused on promoting private sector participation in timber plantation ventures.

GEM's support of the policy modification efforts of TREES Mindanao and the Caraga Federation of Tree Farmers and Developers contributed to two significant policy reforms: the deregulated transport of trees produced on private lands; and the designation of Caraga as a "Timber Corridor." In 2002, the DENR regional office issued a memorandum providing for interim alternative documentation procedures for the harvest and transport of timber planted in private lands in the Caraga region. Members of the Federation piloted the system which makes the transport of timber less expensive and more expeditious. In the first three months of the program, it expedited the documentation of 10,000 cubic meters of timber products. DENR and the Caraga Federation hold regular consultations with LGUs and other tree growers and processors in the region to draw up measures to improve the implementation of this pilot system.

Initiatives achieved under this policy agenda include:

1. Caraga or Region XIII was declared by Government as the "Timber Corridor," which would be the focus of support for the timber industry.
2. RA 8435 or AFMA is replete with provisions regarding private sector participation in the sustainable use of fishery and forestry resources of Mindanao. Specifically, these are highlighted in Sections 2 (paragraphs 2, 3, 5, 6, 8, 9 and 10), 3 and 4; Chapter 2, Sections 6 and 12 which protect watershed areas; and the remaining chapters on the provision of rural infrastructure and research and development.
3. A joint DA-DENR-DAR Administrative Order entitled "Tree Farming in Private and Public Lands within the Convergence Framework for Sustainable Rural Development" was issued, encouraging the planting of fruit trees (and not just timber species) in public lands under DENR's jurisdiction.
4. The Consolidated House Bill and Senate Bill 1695 entitled "An Act Providing for the Sustainable Management of Forest Resources and for Other Purposes" was filed in Congress, recognizing the multiple use of forests, respecting the rights of stakeholders over forest resources, and motivating them through rewards for their participation. The proposed legislation also recognizes that forest resources in private lands shall be considered as agricultural crops.
5. DENR and the PNP established pilot Tree Farmers Assistance Centers in Southern and Central Mindanao.
6. A DENR Administrative Order to pilot test timber trees as common agricultural crops in Regions XI and XII has been drafted. This will fully deregulate the movement and transport of plantation trees grown on private lands within the pilot areas.

7.1.11 Policy Agenda 11: Expansion of Export-Oriented Assembly Industry

The idea behind this new policy item was to explore ways to attract light manufacturing export-industries to Mindanao. It was observed that investors preferred the National Capital Region and Cebu, instead of the urban places of Davao or Cagayan de Oro City, despite the availability of cheaper land, power and skilled labor in Mindanao.

A policy paper on “What Will Bring Assembly Industry to Mindanao?” was prepared as input to policymakers looking at promoting export-oriented assembly industries in the island. The paper concluded that Mindanao faces three main impediments to attracting such industries and other non-resource based light manufacturing industries: (a) the general perception that peace and order conditions in Mindanao are bad; (b) the absence of industrial sites for high-tech and foreign owned industries that can compare with those in the NCR, Cebu, Subic Bay, and Clark; and (c) the lack of fast, reliable, frequent, and cost effective transport services and international connections.

The paper recommended that attracting these industries to Mindanao should be a concerted effort among the Philippine Government, Mindanao-oriented organizations, and the private sector. Negative perceptions about the island should be countered with increased promotional effort, focusing on a few desirable locations. Infrastructure facilities supporting the development of selected world class industrial estates should be developed, as well as more efficient international sea and air connections to Mindanao. Government should review policies calling for the dispersal of industries away from NCR. Mindanao industrial estate developers should be encouraged to find strategic partners and experienced developers who can help market and assist in financing the development of these sites.

7.1.12 Other Policy Issues

GEM supported other long-term policy issues that were part of an earlier policy agenda. Although BSOs have replaced these policy items with more pressing issues, significant policy initiatives were undertaken, including the following:

1. Establishment of Appropriately Empowered and Locally Responsive Offices of Key National Agencies
 - Prepared policy studies, briefs and position papers on decentralization of key investment-related national agencies in Mindanao, establishment of a Mindanao Construction Accreditation Board, and a One Stop Export Documentation Center (OSED).
 - DTI’s OSED opened in Davao City, which facilitated paperwork on the issuance of permits and other related documents in starting or operating a business in Mindanao.

2. Adoption of “Mindanao Compatible” Sanitary and Phyto-sanitary Standards (SPS) by the WTO
 - Prepared policy studies and briefs on SPS for fish and fishery products, and mango in Mindanao.
 - Sections 15 and 51 of RA 8435 or AFMA provided for the development of SPS centers in key fishports, seaports and airports of the country, thereby institutionalizing compliance with internationally-accepted SPS.
 - Chapter 7 of RA 8435 provided for the creation of a “Product Standardization and Consumer Safety” for agricultural products. This will help other SPS-related agencies in the country in enforcing internationally-accepted SPS standards.
 - Sponsorship of a training program on “Hazard Analysis Critical Control Points” (HACCP) for the tuna producers in General Santos City. HACCP is a US-FDA accepted training program for tuna producers desiring to export their products to the US.
 - Repeal of the decision by the DA Secretary to allow export of Palawan mangoes to Mindanao. Palawan mangoes are infected with weevils and countries infected with it will have a difficult time exporting their products to developed countries unless costly treatment (such as vapor heat treatment) is resorted to.
3. Spread of an Appropriately Interconnected Telecommunications Network Throughout Mindanao
 - Prepared policy papers and briefs on improving telecommunications facilities and increasing the telecommunications budget for Mindanao.
 - Inclusion of Tawi-Tawi and Sulu, two of the poorest provinces in Mindanao and the country, in the EO 109’s roll-out coverage.
 - Reduction of call rates on EAGA-related calls.
 - Section 54 of RA 8435 stipulated that the DA will coordinate with the DOTC to facilitate the installation of telecommunication facilities in agricultural and fisheries development priority areas.
4. Privatization of Idle or Grossly Underutilized Post-harvest Facilities in Mindanao
 - Prepared policy papers on NFA facilities and warehouses in Mindanao and the corn situation in the island.
 - Attained the government’s commitment to look into the possible privatization of NFA.

- Pushed for RA 8435 or AFMA which provided that the regulatory functions of NFA, including its ownership of post-harvest facilities, will be reviewed with the aim of making the NFA Charter consistent with the market-oriented strategy being espoused by the government.

7.1.13 Transparency and Good Governance

GEM provided assistance to the MBC in collaboration with The Asia Foundation in organizing the 1st Mindanao Forum on Transparent Governance in August 2001 in Davao City. A follow-on conference was held in December 2002. These conferences and the workshops leading up to them addressed concerns of Mindanao business people regarding excess bureaucracy and corruption in government, and suggested ways that the private sector could lead transparency and governance improvement efforts.

For example, TREES Mindanao, a GEM-assisted BSO, erected billboards listing the authorized official fees for moving forest products and requirements for securing transport documents. This initiative was implemented in partnership with DENR, PNP and local Rotary Clubs to discourage illegal fee collection for timber transportation.

GEM also supported the transparency and governance efforts of the ARMM. At the request of the ARMM governor, GEM helped improve ARMM reporting systems and initiate activities to improve procurement systems. This included the following:

1. Assistance was provided in preparing the ARMM 100 Days Agenda, ARMM Framework Development Plan, and various briefing papers, talking points, and presentation materials for the ARMM Governor and senior officials.
2. An inventory of national programs with ARMM coverage was prepared. A regional policy was established directing all regional cabinet secretaries to closely coordinate with their national government counterparts to take stock of programs and projects for the ARMM. As a result, supplemental budgets and/or services were accessed by several regional agencies (e.g., DSWD, DOH, DILG, DTI, DOST).
3. Administrative procedures have been established to ensure prompt compliance of ARMM offices to the report requirements of national government agencies like the COA and DBM. Budget releases are now on time and no funds had been withheld on account of lack of required reports.
4. Control measures on the disbursement of funds in ARMM were designed and implemented.
5. The DOF has agreed to form a task force with ARMM to establish mechanisms for efficient remittance of ARMM's share in the revenue collections. This will include measures to ensure that local treasurers collect regionally mandated taxes.

6. Due to limited resources, the ARMM basic services are spread thinly across the region. A convergence program was launched to consolidate and concentrate regional efforts in priority municipalities. The program has facilitated program implementation, enhanced coordination among agencies, and improved the impact of ARMM services. National agencies were also able to enroll their projects for implementation in the region using the convergence program.
7. Funding support for ARMM projects was accessed from the Canadian Government, Israel Embassy, USAID, and World Bank.
8. Assistance was provided in finalizing the design and facilitating the approval of the ARMM Peace and Development Fund (SZOPAD Fund 2).
9. Ongoing and pipeline infrastructure projects for ARMM were reviewed and assessed as to their potential impact and status of implementation. High impact projects were prioritized and measures have been proposed on how to expedite the completion of these projects. Among the priority projects are the Basilan Circumferential Road, Jolo Circumferential Road, Awang-Upi-Lebak Road, Second Kuwait Fund Road, and Cotabato (Awang) Airport Improvement Project. Potential sources of ODA funding for these projects was likewise identified.
10. Assistance was provided in preparing infrastructure project proposals for possible funding by the Islamic Development Bank. Preparations have been started for the establishment of an ODA Unit in ARMM.
11. The organization, policies and procedures of DPWH-ARMM were reviewed, and a capability building program was initiated to improve agency performance. This program includes regular coordination/working committee meetings between the DPWH Central and Regional Offices, training seminars (e.g., project management, feasibility study preparation), regular submission of progress reports on DPWH projects to the ARMM regional office, rationalization of the DPWH-ARMM organizational structure, and organization of Infrastructure Monitoring and Advisory Groups (IMAGs) in engineering districts of the region.

7.2 Building a Strong Mindanao Policy Advocacy Network

GEM helped build a strong Mindanao policy advocacy network that has become a strong and effective force in bringing about a favorable policy environment for the island's development. GEM assisted institutions that worked for necessary policy change, forged alliances with other interest groups and policy-makers who shared the same agenda, conducted studies and disseminated the results in workshops and conferences, briefed concerned policymakers, and provided assistance to the policymaker's technical staff (the best way to ensure that the policy being pushed will conform to the ideas of the analysts).

Policy advocates included in the network are:

- Mindanao Business Council (MBC), which has become the recognized “voice” of the Mindanao business community and lead coordinator of private sector policy advocacy efforts for business development;
- Mindanao Lawmakers Association (MLA), the group of 47 Mindanao-based Congress representatives;
- Confederation of Mindanao Provincial Governors, City Mayors and Municipal Mayors League Presidents (Confed), which served to unite the LGU officials in Mindanao;
- Kusog Mindanaw, an umbrella group of various NGOs in the island;
- Mindanao Coalition of Development NGOs (MINCODE), another large group of Mindanao-based NGOs;
- Mindanao Economic Development Council (MEDCo), the lead coordinator of all Mindanao-wide and BIMP-EAGA development programs;
- Office of the Presidential Assistant for Mindanao (OPAMIN), which brought the strong presence and support of the President of the Philippines to Mindanao;
- Mindanao Agriculture and Fisheries Council (MAFC), the multi-sectoral advisory and implementation watchdog for agriculture-related policies and programs in Mindanao;
- Mindanao Infrastructure Task Forces and Infrastructure Monitoring and Advisory Groups (IMAGs), which are multi-sectoral groups that monitor, help solve problems, and fast track the implementation of transport, telecommunications, and power projects in Mindanao;
- Coalition for Shipping and Port Modernization;
- Legion of Peace and Development Advocates;
- Mindanao Coalition for Good Governance; and
- Various Mindanao-wide industry development councils and BSOs.⁶

With GEM support, these organizations formed a strong Mindanao-wide policy advocacy network with linkages at the regional level and with other sectors, including media and academia. MBC and MEDCo were the network’s lead coordinating bodies with other BSOs regularly proposing policy reforms to the national government. GEM helped MBC establish a policy unit, headed by a policy director, and institutionalize a policy process that includes

⁶ Chapter 4 discusses in detail GEM’s work on the strengthening of these BSOs.

research, advocacy, monitoring and follow-up. MBC has established itself as the primary Mindanao advocate for private sector development. MBC's "Mindanao Business Policy Agenda" focuses on policy issues involving high transport costs, tariff reforms with impact on agricultural and fishery products, inadequate infrastructure facilities, bureaucratic red tape and corruption, and human resource development-oriented concerns.

The active involvement of a strong advocacy network, the institutionalization of the policy process, and the advances gained in pushing for reforms under the long-term policy agenda augur well for achieving sustained socio-economic development in Mindanao.

7.3 Lessons Learned

Despite its many gains under the GEM program, policy work in Mindanao remains an unending task, given the challenges brought about by a rapidly changing policy environment. For those who will continue the policy research and advocacy effort for Mindanao's development, there are important lessons learned from the GEM experience.

7.3.1 Having a good principal ("champion") is important.

While a highly professional and qualified policy team can achieve a number of successes, its effectiveness will be greatly enhanced with good counterpart individual or principal within the government. After all, the ability of GEM to speak on issues, particularly controversial ones, is constrained not only by the fact that it is considered as an "outsider looking in" but more importantly, the project is being funded by a foreign government. It could be open to the criticism of "unwarranted intervention of foreign interests on purely domestic affairs of the Philippines." The principal should be a senior government official who has influence on policymaking, is credible and respected by the Mindanao community, whose opinions carry weight, and has access to different public and private forums and media.⁷

7.3.2 Having good counterpart institutions is equally important.

The counterpart/principal should complement and work well with local institutions that represent the various stakeholder groups in Mindanao. GEM was able to forge good working and personal relationships with MBC, MEDCo, MLA, OPAMIN, Kusog Mindanaw, etc. Likewise, this relationship was extended to officers and members of civil society groups and media personnel working in Mindanao and in Manila. The result was consistency—and therefore, strength—in the policy positions and pronouncements of these groups as well as adequate media coverage that highlighted and generated wide support for such positions.

7.3.3 There is a need for flexibility.

Policy research and modification assistance need to operate on the principle of "Management by Opportunities." There is no rule on when to push for a certain policy agenda; it depends on whether or not the opportunity is appropriate for its discussion and eventual adoption. When opposition to the policy reform is too strong, there is a need to retreat, wait for the opposition to

⁷ In the case of GEM, the principal was the Chairman of MEDCo and the Presidential Assistant for Mindanao.

die down, and to re-surface again at a more opportune time. Policy modification assistance takes many forms: policy studies, briefings, memos, position papers, newspaper articles, speeches, forums, workshops, and conferences or summits. It requires maximum flexibility in terms of the form used, the approach undertaken, and the time and effort spent in ensuring that the policy recommendation is finally adopted.

7.3.4 There should be adequate participation of the participants.

Relevance, a key ingredient of success, requires that the participants must be continually consulted and involved not only in the formulation of the policy agenda, but more importantly, in advocating for the desired policy reforms under this agenda. GEM undertook extensive consultations with its various advocacy allies in the entire policy process. It worked in the background and provided technical backstopping to representatives of the government and private sector in various meetings. The result was the empowerment of the stakeholders due to the confidence they gained in successfully pushing for policy changes that they tabled in these meetings. In the process, GEM was also able to continue validating its policy agenda through inputs obtained from interacting with the stakeholders, policymakers and opinion leaders in Mindanao and the national government. In turn, this enhanced the relevance, timeliness, and eventually, the credibility of GEM among these stakeholders and policymakers.

7.3.5 There is a need for clear signals from the top.

Development in Mindanao is greatly affected by the signals coming from the national leadership. It is not enough that correct policy pronouncements are uttered by the President and key national leaders; these must be backed by the corresponding implementation of policies. If there is any contradiction between policy statements and implementation, investors will adopt a “wait and see” attitude. Moreover, there is a need for greater transparency in the manner by which government transacts its business to gain investor confidence. The government must show that it is determined to level the playing field for all potential investors.

7.3.6 Policy work in Mindanao should not stop.

Economic difficulties besetting the island should not be a reason to abandon good policy research and modification assistance. On the contrary, it is in times like this that opportunities for introducing policy changes will be most opportune as policymakers tend to be more receptive to changes in viewpoints. A crisis is not only an occasion to depart from the old ways; it is also an occasion for the rebirth of new ones. It is in the context of this revival and rehabilitation that policy research and modification assistance for Mindanao’s progress should continue.

7.4 Conclusion

Compared to the rest of the Philippines, Mindanao has a comparative advantage in terms of resource base, weather, cheaper power and skilled labor, and strategic location vis-à-vis emerging markets in Asia and the Pacific. At the same time, however, the island faces many constraints that prevent it from fully realizing its economic potential. Solving these development constraints requires policy reforms.

Effective policy modification assistance requires strength in numbers and a creative build-up of alliances, networks and influence. Working with its key counterpart agencies and BSOs, GEM was able to help assemble a network of policy advocates that represent the Mindanao business community, lawmakers, national and local government officials, and NGOs. In the process, new Mindanao-wide sectoral business support groups emerged and became vehicles for policy advocacy.

Having a strong advocacy network is not enough to generate policy reform. GEM supported Mindanao advocates by providing technical support and tools needed for analyzing complex policy issues, identifying alternative solutions, and convincing government policymakers to act on them. GEM worked closely with key organizations such as MBC, the BSOs, OPAMIN and MEDCo in their policy research, formulation of policy resolutions, and organization of forums for presenting these resolutions.

GEM helped Mindanao's policy advocacy network develop a long-term agenda for policy reform. The agenda focused on reducing the costs of doing business in Mindanao, improving resource allocation and use, and establishing an economic foundation for sustainable peace in the island.

With GEM support, Mindanao's advocacy network successfully advanced its long-term policy agenda. Notable among these successes was the substantial increase in Mindanao's share of the government's infrastructure budget, from approximately 11% in the 1980s and early 1990s to 21% before 1996 to 27% in 2002. The increased resources and fast tracking of implementation of infrastructure in the island encouraged private investments in business.

Mindanao's predominantly agri-based economy was supported by policy reforms that encouraged the expansion of agricultural production, diversification of value added agri-based products, and greater trade. The passing of the landmark RA 8435, the Agricultural and Fisheries Modernization Act, was particularly important. The law mandates the provision of more funds for the agriculture and fisheries sector. Together with other subsequent related laws, rules and regulations, it also promotes the greater development of the seed industry that supports agriculture. The provision of financing for long-gestating crops have been welcomed by tree farmers engaged in the planting of fast-growing timber species, fruit trees, rubber, oil palm, coconut, among others.

Efforts to make Mindanao business more competitive have started paying off. Transport policy reforms have encouraged government action to improve transport services as well as private investments in opening up new and expanding existing shipping and air routes to/from the island. Coupled with tariff reforms, these initiatives have reduced freight costs and expanded markets for more agribusiness products from Mindanao, such as in EAGA, China, Europe, and the U.S. The travel tax exemption and port tariff agreements with EAGA countries have fostered greater trade and tourism in the growth area.

The fisheries and aquaculture industry is also a vital sector in Mindanao. This industry has been benefited by the forging of bilateral fisheries access and management agreements with Indonesia and stands to further benefit from similar agreements being negotiated with Palau, Papua New Guinea, and other Pacific Island Nations. By getting Philippine government and private sector,

led by Mindanaoans, more aware and involved in the MHLC process, the thousands of families dependent on Mindanao's fishing industry stand to further improve their income from expanded and better managed fisheries and trade. Favorable government attention and action on tariff and trade issues confronting Mindanao's tuna and seaweed industries will also boost these sectors.

GEM recognized that these economic gains could not be sustained without addressing peace and order in the island. GEM's policy work, as all its other Program components, looked into reforms that could increase the participation of the Muslim community in Mindanao's economic growth. Creating a policy environment conducive to business development was meant to benefit all Mindanaoans. Some policy initiatives, however, particularly addressed constraints facing Muslims. The government's decision to privatize the Philippine Al-Amanah Bank and the entry of foreign banks like Maybank will boost Muslim business activities. Many of the agri-based industries benefiting from policy reforms (e.g., seaweed, rubber, agroforestry) involve large numbers of Muslim farmers and fisherfolk. Support to the ARMM government's program to improve transparency and governance will contribute to a better socioeconomic environment in this predominantly Muslim region, including conflict-affected areas. Enhanced peace and development in these areas will redound to sustainable growth in the whole island.

Even given the gains from policy modification assistance in the last seven years, Mindanao's socioeconomic and political environment continues to change rapidly. Its environment also widens as the world economy and trade liberalize and integrate. Mindanaoans, therefore, need to continue to work together to assure that they are able to face the challenges and take advantage of the opportunities presented by such international developments.

Chapter 8

GEM Assistance to Former MNLF Combatants

8.0 Introduction

For nearly three decades, Muslim rebel groups in Mindanao fought the Armed Forces of the Philippines with the goal of attaining independence, or at least substantial autonomy. In September 1996, after several years of negotiations, the GOP and the MNLF, the largest of the Muslim separatist groups, signed a peace agreement with the expectation that it would usher in an era of peace and lead to substantial and rapid economic progress in the Muslim areas of the island.

The agreement brought about the establishment of the MNLF-dominated Southern Philippines Council for Peace and Development (SPCPD) intended to help accelerate, facilitate and coordinate development initiatives in Southern, Central and Western Mindanao where most of Mindanao's Muslims live. It was hoped that economic progress would bring about lasting peace by taking away the motivation of Mindanao's Muslim population to take up arms against the Government.

A key provision of the peace agreement was the integration of up to 7,500 of the 45,000 or so former MNLF combatants into the AFP and the PNP. The United States Government, acting through the USAID Mission in the Philippines, supported the peace agreement through the initiation of the Emergency Livelihood Assistance Program (ELAP) for former MNLF combatants who were not accommodated in the integration process. The ELAP was designed to help them make the transition from guerilla fighters to productive and peaceful farmers by providing them with rapid and tangible livelihood assistance.

In August 1997, the U.S. Government and the SPCPD signed a Memorandum of Understanding which discussed the establishment and implementation of the ELAP and spelled out mutual expectations between the two parties regarding the Program. Within one month, program implementation was underway and MNLF beneficiaries were planting hybrid corn.

8.1 Program Description

In collaboration with the SPCPD, the GEM Program was tasked by USAID to implement the ELAP, with funding provided by USAID's Office of Transition Initiatives (for production inputs only) and the USAID Mission in the Philippines.

Key elements of the implementing MOU were that (a) ELAP would provide assistance needed by former MNLF combatants and their families to initiate or expand productive agricultural or aquaculture activities; (b) some 2,000 former combatants and their families would receive the assistance; (c) technical and other support needed for implementation would be provided by GEM; and (d) oversight of the Program would be provided by a Management Committee (MANCOM) chaired by the SPCPD.

Under the ELAP, USAID provided all production inputs, training, technical support, and marketing assistance that former MNLF combatants needed to initiate production of hybrid corn, rice, seaweed or cultivated fish. The participants were identified by the SPCPD and local MNLF commanders. For corn and rice, the primary ELAP-supported agricultural crops, technical (extension and marketing) assistance and production inputs were provided for two crop cycles (about one year). For seaweed, the primary ELAP-supported mariculture crop production inputs were provided for one crop cycle, and technical assistance for up to six months. ELAP also facilitated the participation of former combatants and their production cooperatives in GEM's and the Philippine government's regular programs for agricultural development.

At the start of the Program, some 2,000 former combatants and their families began receiving the necessary production inputs and technical support. As initial results of the program were quite successful, USAID committed its resources to continue and expand the program coverage through several USAID-SPCPD MOU amendments:

1. March 4, 1998 - to increase the total number of participants from 2,000 to 3,800.
2. June 14, 1999 - to increase from 3,800 to 7,000 beneficiaries.
3. October 5, 1999 - to increase the total from 7,000 to 11,000 beneficiaries.
4. August 8, 2000 - to raise the number from 11,000 to 13,000 beneficiaries.

Much of this expansion was made possible through efficient use of project resources that resulted in cost savings. With the final amendment, program coverage was extended to 341 barangays in 115 municipalities in 13 provinces. **Annex 8-B** provides details on the ELAP clusters by area, and summarized on the map on the following page (See **Figure 8-1**).

8.1.1 Organization and Management

ELAP beneficiaries were former MNLF combatants and their families who had not been absorbed into the AFP or the PNP. They were made to form groups ("clusters") of between 40 and 60 participants each and received training and technical assistance on a cluster basis. At the MNLF "state" level, community committees (CONCOMS) were formed to provide key assistance in the different MNLF states. Committee members were the MNLF state chairman and a representative each of the Bangsamoro Women's Foundation for Peace and Development (BMWFPD) and the MNLF national unit commands.

Technical support and provision of inputs needed for production of the selected crops, as well as production training and marketing assistance, was provided by the USAID-contracted private firm, the Louis Berger Group Inc., which was managing the GEM program. Implementation was overseen by a MANCOM chaired by the SPCPD, and which included representatives from BMWFPD, the NEDA and USAID.

The COMCOM provided administrative and monitoring support and was responsible for participant and project site identification based on agreed selection criteria. Additional financial, material, consultative and managerial assistance were also provided via "partnerships" with a number of other donor agencies, line agencies, private sector firms, cooperatives, and municipalities.

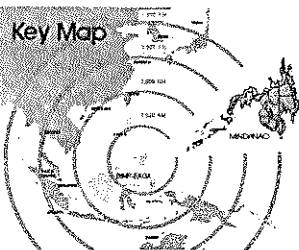
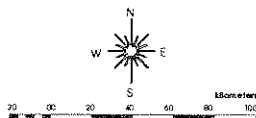


Figure 8-1

Emergency Livelihood Assistance Program Field Offices and Production Sites



LEGEND

POLITICAL BOUNDARIES

- Municipal
- Provincial
- Cluster

ROADS

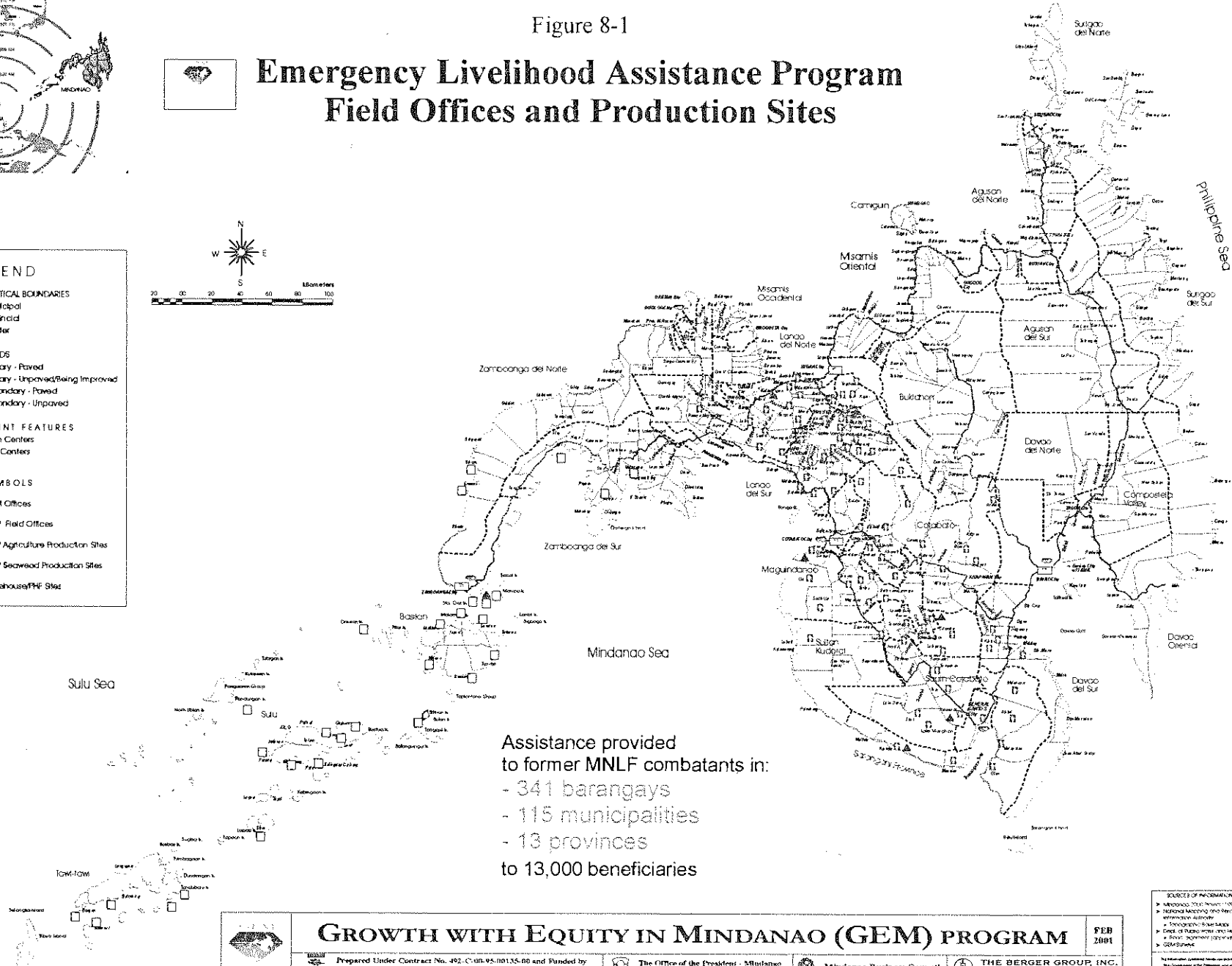
- Primary - Paved
- Primary - Unpaved/Being Improved
- Secondary - Paved
- Secondary - Unpaved

POINT FEATURES

- Town Centers
- City Centers

SYMBOLS

- GEM Offices
- ELAP Field Offices
- ELAP Agriculture Production Sites
- ELAP Seaweed Production Sites
- Warehouse/PHF Sites



Assistance provided
to former MNLF combatants in:

- 341 barangays
- 115 municipalities
- 13 provinces

to 13,000 beneficiaries



GROWTH WITH EQUITY IN MINDANAO (GEM) PROGRAM

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the United States Agency for International Development (USAID)



The Office of the President - Mindanao
(OPM)



Mindanao Business Council



THE BERGER GROUP, INC.
GENERAL CONTRACTOR

FEB
2001

SOURCES OF INFORMATION
 * MINDANAO STATE POWER CORP.
 * REGIONAL MINDANAO AND SOUTHERN
 * INTERIOR AGENCY
 * SOUTHERN MINDANAO
 * DEPT. OF ENERGY AND MINING
 * SOUTHERN MINDANAO
 * GEM/BERGER

The BMWFPD acted as USAID's primary non-governmental organization counterpart in ELAP implementation. It assisted in selecting sites and participants, organizing meetings with MNLF authorities, and monitoring ELAP agricultural and aquaculture activities.

8.1.2 Implementation Procedures

The program used transparent selection criteria to identify activities and sub-project sites, taking into account the (a) contiguity of the production area (for effective site management); (b) collective experience, capacity and skills of identified participants (to allow for ready transfer of technology); (c) agro-climatic factors; and (d) marketability of identified crops. With regard to project site selection, sites had to be accessible for production input delivery, visits of ELAP technical staff, monitoring and progress reporting (See **Figure 8-2**).

Project Site and Activity

Beneficiaries were required to have continuous access to compact, relatively contiguous plots of land or coastal areas that would allow groups of participants to work in clusters. This minimized logistical costs, eased monitoring activities, and increased program cost-efficiency. In the case of land-based agricultural activities, participants were required to have reliable, continuing access to two hectares of production land. Seaweed producers had to have similar access to one fifth of a hectare of coastal waters. Distance from population centers, markets, and the availability of regular transportation facilities were also assessed.

Other considerations included the existence of informal or formally organized MNLF groups, cooperatives, or similar organizations and the presence of active local leaders. Finally, the peace and order situation, local politics, and the presence of donor and/or local government unit-assisted projects or funding that could undertake similar, complimentary or competing livelihood activities were also considered.

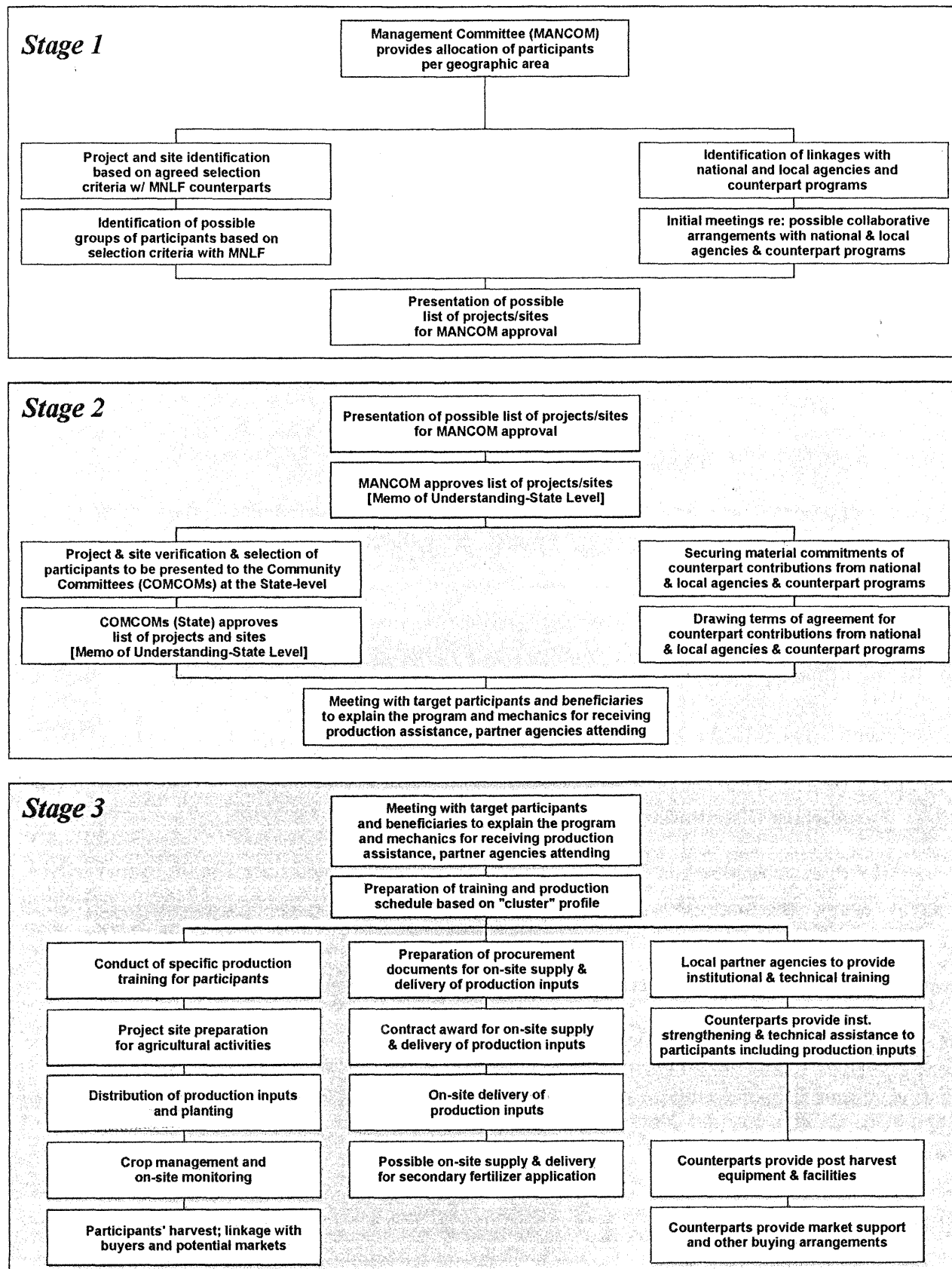
Participant Selection

The MANCOM decided the number of participants allocated to each "State," and actual participant identification and selection was made at the COMCOM level. Individual participant selection was based on agreed upon criteria which specified that participants must be former combatants not integrated into the armed forces or national police, and not receiving similar assistance from other programs. Proposed project sites and groups of participants were assessed in the field by ELAP program technical staff before selection was finalized.

Participants were required to formally attest to their corresponding COMCOM their agreement with the guidelines, policies and objectives of the ELAP program. A similar written agreement was required by the MANCOM of each participating State's COMCOM. Crop, site and beneficiary selection criteria and related MOUs can be found in **Annex 8-C**.

Figure 8-2

ELAP Production Assistance Process



Training, Procurement and Technical Assistance

Once the project sites, production activities, and participants were selected, the ELAP team proceeded with field activities specific to the area. These included a program briefing for the selected participants, the community or LGU, representatives of relevant line agencies, and other parties providing additional services and assistance. It was important for the participants to understand the program, and to commit themselves to its operational requirements.

Participants went through production training before any procurement activity was initiated. Training and refresher training courses on selected crops were carried out at the start of every crop cycle. There were also special briefings on pest control using non-chemical methods.

Seed and basal fertilizer were given to corn or rice growers only after land preparation activities were at least 80% complete. This was to allow for immediate application of inputs once delivered on-site. For those engaged in aquaculture, materials needed to make seaweed production rafts and fish cages were delivered shortly after selection of the individual participants. Seaweed seedlings or fish fry/fingerlings were given only after the rafts or fish cages were constructed and installed in the production area. **Annex 8-D** provides an example of a request for bids for the supply of production inputs.

To ensure that production inputs actually reached the individual beneficiaries, they received the production inputs directly from an ELAP official. Each participant signed for the actual quantity of inputs received.

All ELAP program areas and clusters were visited regularly to assure proper application of production technology, to identify present or potential problems with the crop, and to implement corrective measures. Field staff was actively involved in assuring that harvested crops were marketed at the best possible price, encouraging clusters to market as a group, and preferably to bulk buyers. Where farmers preferred to sell through local traders who paid cash-on-delivery, the program team looked for additional traders to increase the producers' competitive options.

8.1.3 Beneficiary Distribution

When ELAP was completed in May 2001, the program had assisted over 13,000 former MNLF combatants as primary beneficiaries in initiating corn, seaweed, rice, aquaculture production activities. They were spread over 341 barangays in 115 municipalities in 13 provinces throughout the Muslim areas in Mindanao. Details on the implementation sites or clusters and crops produced are provided by program implementation phase in **Annex 8-B**.

ELAP participants in Southern and Central Mindanao and the Lanao provinces planted primarily corn and rice. Those in Western Mindanao and the island provinces mainly planted seaweed. Fish cage and fishpond enterprises were initiated in Lake Buluan and in the coastal areas of Sarangani, Zamboanga del Norte, and Sulu provinces. **Table 8-1** shows the distribution of production activities by crop.

In allocating the number of participants per area, the program took into account the proportion of Muslims per province as well as the distribution of MNLF state command and national unit command-based forces. The distribution of participants by area is shown in **Table 8-2**.

Table 8-1
Distribution of Production Activities by Crop

Type of Crop/Production Activity	Total Number of Participants	% of Total Participants
Improved Corn Production	6,780	52 %
Seaweed Production	4,385	34 %
Rainfed Rice Production	1,240	9 %
Fish Cage/Fishpond Production	577	4 %
Vegetable production and Non-farm activities	110	1 %
	13,092	100 %

Table 8-2
Geographic Distribution of Program Participants

MNLF State	Province	No. of Mun.	No. of Bgys	Total No. of Pax	% of Total Pax
Western Mindanao					
Lupah Sug	Sulu	10	26	1,430	11%
Sa-atan Samboangan	Zamboanga Sur	3	12	1,075	8%
Basilan	Basilan	7	16	875	7%
Western Kutawato	Maguindanao	7	13	840	6%
Tawi Tawi	Tawi Tawi	5	15	830	6%
Likud Samboangan	Zamboanga Norte	2	5	250	2%
		34	87	5,300	40%
Central Mindanao					
Ranao Norte	Lanao Norte	13	36	1,155	9%
Sebangan Kutawato	North Cotabato	9	34	1,105	8%
New Utara Kutawato	Maguindanao	11	32	1,080	8%
Ranao Sur	Lanao Sur	11	47	1,055	8%
Central Ranao	Lanao Sur	11	41	1,055	8%
Central Kutawato	Sultan Kudarat	9	31	930	8%
		64	221	6,385	49%

MNLF State	Province	No. of Mun.	No. of Bgys	Total No. of Pax	% of Total Pax
Southern Mindanao					
Selatan Kutawato	South Cotabato	6	13	560	4%
Selatan Kutawato	Sarangani	7	13	520	4%
Seratan Dabaw	Davao Sur	4	7	332	3%
		17	33	1,412	11%
14	13	115	341	13,092	100%

8.2 ELAP Results

Corn, seaweed and rice were proven to be the most profitable, sustainable and widely accepted ELAP crops. Successful harvests were obtained due to improved technology training, regular monitoring, and increasing support from government agencies, LGUs and the private sector. This success motivated “graduates” of the program to continue ELAP initiated activities, even after the Program had moved on to assist other beneficiaries.

The success of ELAP was analytically evaluated using an assessment survey and interviews of Program “graduates” (See **Annex 8-D**). About 8,300 beneficiaries of the 13,000 total ELAP beneficiaries had graduated from the Program at the time of the survey and were no longer receiving ELAP assistance. The assessment, conducted during the fourth quarter of 2000, determined that:

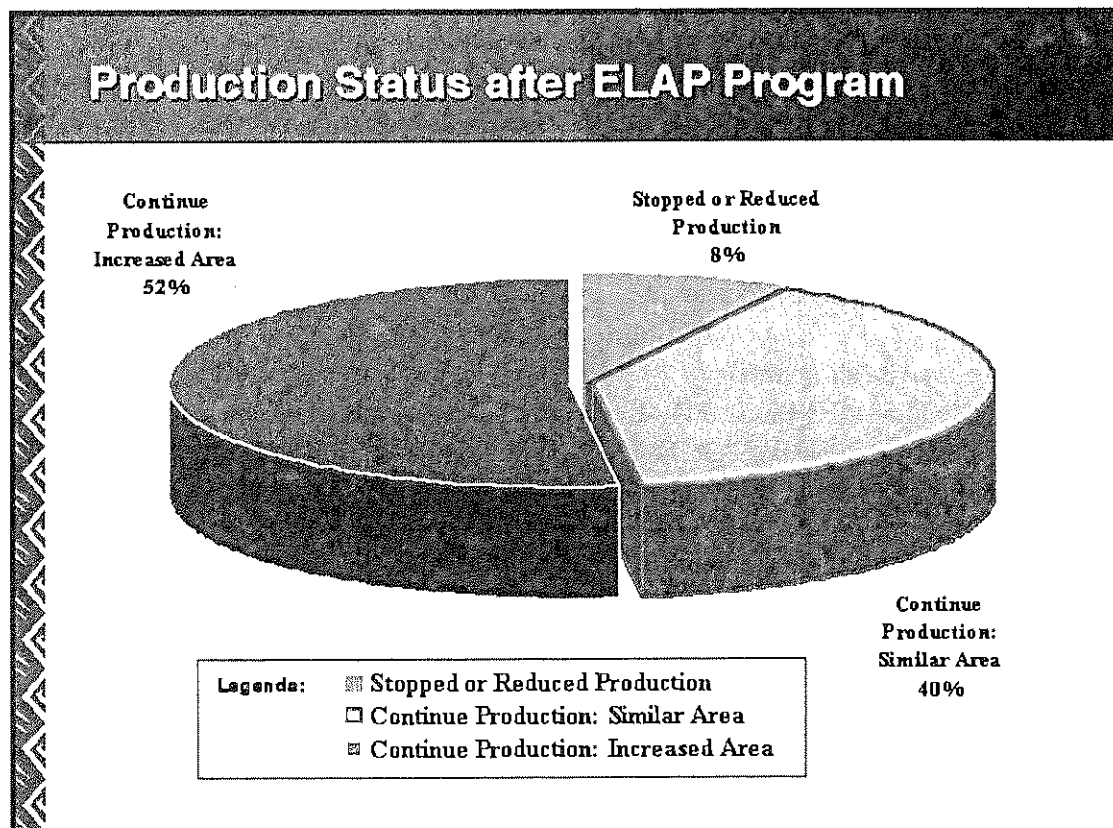
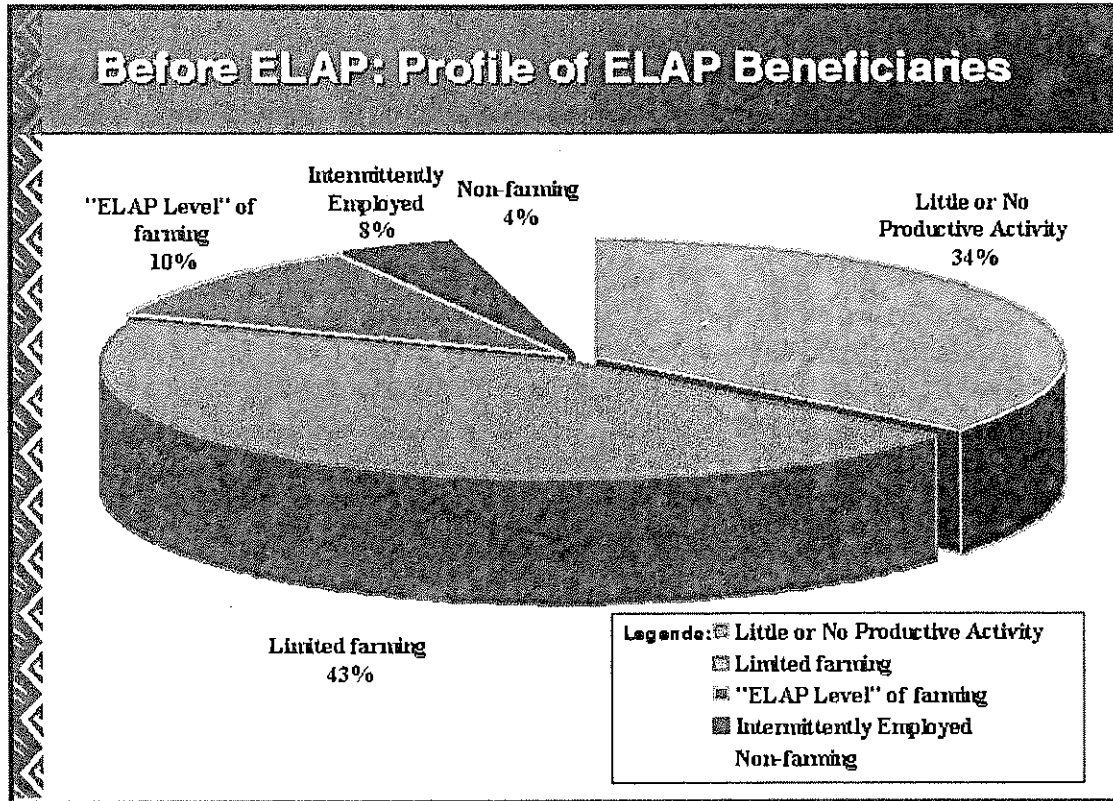
“...the program has made a positive and sustained impact on the lives of the former MNLF combatants that participated in the program. Before ELAP, 43% had limited or “backyard” farming experience (i.e., farming small plots, usually well less than a hectare, growing traditional crops, usually on an intermittent basis); 34% of the survey respondents were engaged in no productive activity; and 8% were intermittently employed (i.e., working for someone else for a wage on a part-time basis).” (See **Figure 8-3**)

After participation in ELAP the following benefits were noted:

ELAP provided a means of learning to make a reasonable living. About 92% of the ELAP graduates surveyed were still producing ELAP introduced crops. Of these, 52% have increased the ELAP production area, and 40% had maintained the same production area. About 37% of the “cluster leaders” mentioned that income generated by their members was used to start production of additional crops or to start new businesses, in addition to investing in continued production of their “ELAP crop.”

Figure 8-3

Profile of Beneficiaries



The program assessment further reported that:

“Livelihood from ELAP farming has become a better alternative for many former combatants. In Ragain and Maguing in Lanao Province, it was reported that the incidence of banditry, burglary and other illegal activities was reduced to almost nil. Local authorities attribute this to the widespread participation in the ELAP that occurred in those areas.”

ELAP increased purchasing power. About 86% of the respondents saved money from the sale of their ELAP assisted crops for their next production season. The majority also purchased farm animals and equipment, paid debts and educational expenses, and improved their homes.

ELAP increased crop yield. The average yields of ELAP-assisted corn, rice and seaweed farmers were, respectively, 37%, 133%, and 51% higher than the average yields for those crops in Mindanao.

ELAP effectively transferred technology. Some 89% of the program “graduates” continued to use the technology introduced by ELAP.

ELAP reduces the risk of armed conflict. About 99% of the respondents believed that participation in ELAP encouraged support for the peace agreement between the MNLF and the GOP, and that continuing ELAP will discourage other former MNLF combatants from resuming armed conflict.”

These results pointed to the sustainability of program benefits. Given the high percentage of beneficiaries continuing and expanding production, as well as continuing to use the ELAP introduced technology, it is expected that program impact will continue. What were the program’s success ingredients? The answer to this question is summarized in four words: “**the program strategy worked.**”

The success factors that can be identified and supported by the survey results are:

ELAP was responsive to the needs of beneficiaries. A key success factor of the ELAP program is that it directly addressed the needs of the beneficiaries. As revealed by the survey results, before ELAP, a vast majority of beneficiaries had been unemployed or were engaged in little or no productive activity. ELAP provided them what they did not have: capital to start productive ventures, training in modern farming skills, and access to technology.

The ELAP approach was simple and generated quick results. The approach was appropriate for beneficiaries who had limited prior farming experience. The program focused on quick maturing production crops (such as corn, rice, seaweed and cultured fish), with relatively simple technology and readily available markets.

ELAP provided input support for a limited time and then participants “graduated.” The program limited production support to two cropping cycles in the case of corn and rice, and one cropping cycle for seaweed and cultured fish. The beneficiaries then graduated from the program. The responsibility of the beneficiaries to work for success was clear as chances of dependency on the program were small. While input support was limited, it was complemented by technology training, which was a permanent benefit. This helped assure the sustainability of economic benefits.

A significant percentage of area leaders also said that ELAP increased or improved working relationships with LGUs and agencies of the national government.

ELAP production yields exceeded regional and nearby non-ELAP farmer performance levels:

- ELAP corn farmers averaged 3.0 to 5.0 mt/ha. versus 2.6 mt/ha. (Mindanao) for non-ELAP farmers (DA-Bureau of Agricultural Statistics, 1997-1998) and earned an average net annual income of PhP 75,000 (net of production input costs).
- ELAP rain-fed rice farmers averaged 4.5 mt/ha. versus 1.9 mt/ha. (Central Mindanao) for non-ELAP farmers and earned an average net annual income of PhP100,000 (net of production input costs).
- ELAP seaweed farmers averaged 578 kg of dried seaweed per crop (up to 5 crops/year) versus 382 kg for non-ELAP farmers (DA-BFAR, 2000) and earned an average net annual income of PhP75,000 (net of production input costs).

A key success factor of the program was the wide range of partnerships forged with local and national government agencies, international donors, NGOs and the private sector. Through the period ending December 2000, the program secured over US\$1.2 million of technical assistance, training, production inputs, post-harvest facilities and equipment from various agencies. The partner contributions came from national government agencies (34%); local governments (15%); foreign donors (31%), and private companies (20%). See **Annex 8-E** for listing of partnerships and linkages.

Some of these partnerships included:

- Local government (municipal) agriculturists and their staff throughout Southern and Central Mindanao and the Lanao provinces provided technical assistance and training in rice and corn production technologies to ELAP participants.
- Barangay and municipal government officials in South Cotabato provided water pumps, shallow tube wells, and limited quantities of approved agricultural chemicals. In certain areas, mayors provided resources to improve post-harvest facilities and farm-to-market access roads.

- The central and regional offices, agricultural training institutes, and crop protection centers of the DA funded a Php10 million access road to an ELAP cluster in Maguindanao; solar dryers and mechanical shellers to participants in Central Mindanao; and specialized training and *Trichogramma* cards (a biological pest control agent used for corn production) throughout ELAP production areas. The regional office of the DTI provided organizational and entrepreneurial training to participants in Western Mindanao.
- TESDA provided training for participants in Maguindanao. With donor funding, PCMARRD provided participants in Western Mindanao with a seaweed seedling bank facility.
- The Western Mindanao chapter of SIAP amended its charter to increase its board by a seat specifically to represent ELAP participants engaged in seaweed production with the intent of ensuring uniform product quality and assured competitive marketing arrangements.
- The British government provided over Php7 million to fund a complete corn production cycle for over 200 participants; and small farm equipment and a warehouse for MNLF cooperatives. With World Bank funding, the Office of the President's Social Fund constructed warehouses and solar dryers. The New Zealand government provided funds for post-harvest facilities and livelihood projects for MNLF cooperatives. Multilateral donor agencies such as the European Union, the Food and Agricultural Organization, and the United Nations Development Programme also provided participants with production inputs, post-harvest facilities, and seaweed seedling banks.

8.3 Additional Assistance to Former MNLF Combatants

Other than direct beneficiaries of the ELAP Program, a large number of former MNLF combatants also received assistance needed to expand or initiate agricultural or aquaculture production. Some 1,650 of them received training, extension and marketing services from ELAP, but not production inputs.

GEM also helped provide 221 pieces of equipment, infrastructure and facilities to 109 MNLF barangays, including warehouses, solar dryers, rice and corn mills, small water systems, corn shellers, power tillers and hand tractors, rice threshers, and access roads. **Annex 8-F** lists additional MNLF beneficiaries of GEM assistance who were not direct recipients of ELAP assistance; and other grants brought to Muslim Mindanao with GEM assistance.

8.4 Business Support Organization Strengthening

Muslim business organizations and chambers actively engage in ongoing Mindanao policy advocacy and socioeconomic development efforts. In conflict-affected areas, GEM helped create three new Muslim business organizations and one new chamber, and revitalize five existing chambers. Two of the most influential Muslim BSOs are the Muslim Business Forum (MBF) and the ARMM Business Council (ABC). With GEM technical assistance, ABC hosted the Brunei-Malaysia-Maguindanao Trade Forum and organized the first ARMM Business Congress. In

collaboration with the Mindanao Business Council (MBC), GEM helped the MBF and other Muslim BSOs to participate more actively in mainstream Mindanao business activities.¹

8.5 Infrastructure Development

GEM leveraged its technical assistance to access funding from the GOP and other donors for 140 small infrastructure projects in conflict-affected areas. These included 45 World Bank SZOPAD Social Fund projects, eight bilateral donor grants, 20 USAID grants for post-harvest facilities and equipment, and 67 shallow tube well projects administered by the National Irrigation Administration.²

Noteworthy small infrastructure projects include: a British-funded wooden boat landing constructed on Boh Boh Island; seaweed dryers and warehouses built in Zamboanga City and funded by the New Zealand and British Embassies; farm-to-market roads improved by LGUs in Maguindanao; a DA-funded fish landing constructed in North Cotabato; and the privately funded Tacurong Bus Terminal in Sultan Kudarat.

8.6 Trade and Investment

GEM assisted 160 private sector transactions worth PhP3.3 billion in conflict-affected areas. Highlighted projects include: a crab fattening project that provided 450 fisherfolk in Cotabato City with market links; a charge-to-crop production scheme set up between the DA and 100 former MNLF combatants in Sultan Kudarat; a rubber-coffee intercropping project in Basilan; a community-based reforestation project in Sultan Kudarat; and numerous marketing and contract growing agreements.³

8.7 Conclusion

The ELAP assessment report asked the questions: Was the program beneficial and were benefits received sustainable? The conclusion reached on the benefits of the program was:

“The ELAP program has undoubtedly made an impact on the lives of the beneficiaries and on the whole community of former MNLF combatants in general. It addressed the economic problems that plague the community.”

This conclusion was reached by recognizing that ELAP beneficiaries, before participating in the program, had neither the knowledge nor the capital to obtain a livelihood from agriculture or mariculture. But under the program, a majority not only improved their income and purchasing power, but also gained the technology and accumulated enough capital to continue production after graduating from the program. The assessment survey found that over 90% of beneficiaries continued to produce ELAP introduced crops after “graduating” from ELAP, over 50% had increased their production area, and beneficiaries in 37% of the groups assisted used profits to

¹ See Chapter 4 for a detailed discussion of GEM assistance to BSOs.

² See Chapter 5 for more information on GEM-assisted infrastructure projects.

³ See Chapter 6 for detailed information on GEM-supported trade and investment projects.

initiate other new enterprises. Quotes from MNLF leaders, and beneficiaries obtained during the assessment survey can be found in **Annex 8-G**.

The assessment survey results support the conclusion that the economic benefits of ELAP are sustainable, that the program has made a substantial positive impact on the lives of the former MNLF combatants, and that the Program has made a substantial contribution toward strengthening peace in Mindanao.

When large-scale fighting broke out between the MILF and the AFF in 2000, it was anticipated that there would be a major movement of former MNLF combatants into the ranks of the MILF. Only very limited movement did, in fact, occur. One of the principal reasons for this was that so many of the former MNLF combatants were productively occupied in making a living as farmers. In the words of the Vice Chairman of the MNLF: “Our people have been disappointed and frustrated at the slow pace of the Philippine Government’s compliance with the terms of the Peace Agreement. Because of this, there is a good deal of sympathy for our MILF brothers and their continuing struggle. However, this sympathy has not led many of the brothers to join their struggle. USAID’s programs have made a difference. Now we can make a living. Now we have something to lose.”

Chapter 9

GEM Communications Support

9.0 Introduction

The GEM communications program served multiple audiences with a diverse range of objectives and communications support requirements. The communication team supported the GEM Program goal of promoting trade and investment in Mindanao through a comprehensive information campaign that included regular media releases of business news, maintenance of a website (www.mindanao.org), production of various promotional materials (e.g., brochures, videos, posters, CD-ROM, videos), production of training materials and buyers guides for various producer associations, and a communications program supportive of policy reform activities of BSOs.

In the wake of the economic and political upheaval which followed the Asian financial crisis of 1997, and as armed conflict broke out between the AFP and the MILF in 2000, GEM adopted new strategies to sustain a positive outlook on Mindanao and keep it from being written off as a hopeless war zone.

Communications activities, initially directed at supporting the other GEM Program components, were gradually re-focused on helping the MBC and other GEM-supported BSOs develop their skills in public and media relations, and prepare themselves to continue this work after the Program had ended.

9.1 Communications Tools

The communication tools employed by GEM to promote trade and investment in Mindanao, and to assist BSOs in policy advocacy and networking efforts within the greater business community, included:

- Media releases (on print, radio, TV) of Mindanao development and business “success stories,” and stories on policy reforms and infrastructure changes beneficial to the region’s economy. The writing load was shared by GEM staff writers and freelancers, as well as independent journalists assisted by GEM in accessing data and interviewing personalities from the business community and government agencies.
- Promotional materials (e.g., brochures and event posters), public relations assistance, press releases and photo documentation provided to Mindanao BSOs involved in business conferences and trade exhibits.
- Media briefings and familiarization tours for Manila-based editors and foreign journalists to broaden their perspective on Mindanao issues.
- Training seminar-workshops and lectures on communication skills.
- Various information materials designed to support trade and investment promotion activities.
- Special media activities, including press conferences and appearances on national television and radio shows by personalities involved in Mindanao’s economic development.

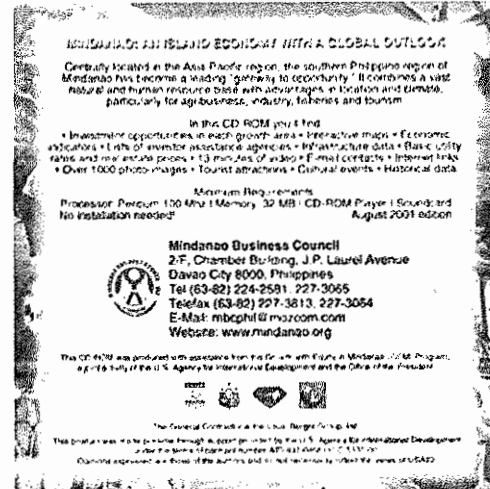
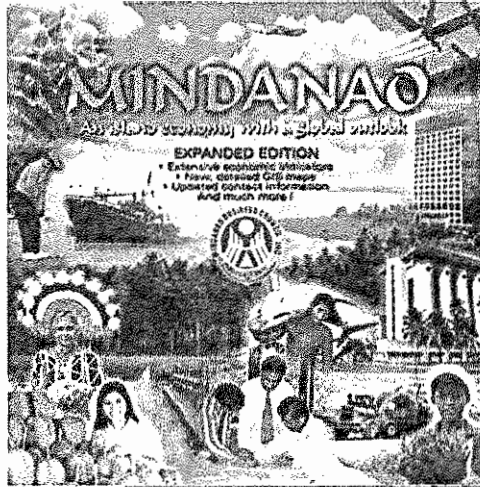
9.1.1 Key Promotional Materials

Publicity and promotional items produced and distributed by GEM included:

- *News stories, feature articles, and captioned photos.* These were released mainly to national and local print media, and, occasionally, to selected international publications (e.g., *Appropriate Technology* and *Fish Farming International*). These media releases were compiled to present the broad spectrum of Mindanao economic activities. They underscored the role played by the different stakeholders (from leading business firms and support organizations to farmers groups and MNLF cooperatives) in driving the engine of Mindanao's economic growth, thus helping ensure peace and stability in the region (See **Annexes 9-M** and **9-N**).
- *Mindanao investment video (1998 edition).* This is a 13-minute video showcasing Mindanao's dynamic economy, cultural diversity and harmony, active business community, strong national government support at the highest levels for the region's economic development, and individual testimonies from the business and development communities on the region's economic potential. It features underwater and aerial shots. Clips from the video were used in TV ads produced by the Philippine Information Agency to promote Mindanao, and shown to large audiences in most of the region's business conferences and trade shows (See **Figure 9-1**).
- *Mindanao investment CD ROM (1999 and 2001 editions).* This promotes the region as an "island economy with a global outlook." Its contents include investment opportunities in each growth area, interactive maps, extensive compilations of economic indicators, investor assistance agencies, infrastructure data, basic utility rates and real estate prices, the 13-minute investment video, e-mail contacts, Internet links, over 1,000 photo-images, tourist attractions, cultural events, and historical data (See **Annex 9-A**).
- *Website: www.mindanao.org.* Launched in 1999, this website is updated weekly with GEM-related news stories and feature articles, and a newspaper column hosted by the MBC. Its design and content were adapted from the Mindanao investment CD-ROM, including economic indicators, maps, investor assistance contact information, detailed descriptions of major growth areas in the region, tourist attractions and historical data (See **Figure 9-2** **Annex 9-B** for website pages).
- *Mindanao investment maps.* These include a Mindanao-wide map and a map for each of the six major growth areas comprising the region. The maps contain information on boundaries, road networks, major infrastructure, tourist attractions, land use classification, and investment opportunities. As part of GEM efforts to ensure sustainability beyond the lifespan of the program, the maps were updated, revised and "branded" with an MBC identity. They were then turned over to MBC for use in their investment promotion and income generation activities (See **Annex 9-C**).

Figure 9-1

Mindanao Investment CD-ROM



Greater Northern Corridor

Demographic Information

Greater Northern Corridor Total

Land Area	15,185.8 sq. km
Population (2000)	3,018,835
Ave. Pop. Growth rate	2.11%
Ave. Family Income in Pesos (1997)	92,189
Labor Force (2000)	1,433,000
Employed (2000)	1,261,000

Breakdown by Province

	Bukidnon	Comiguin	Misamis Or	Lanao del Norte
Land Area (km ²)	8,293.8	229.8	3,570.1	3,092.0
Population (2000)	1,060,265	74,332	1,126,215	3,092.1
Ave Pop. Growth rate %	2.60	1.88	2.23	1.30
Ave. Family Income in Pesos (1997)	88,307	70,052	72,409	93,270
Labor Force (2000)	540,000	35,000	511,000	349,000
Employed (2000)	511,000	33,000	446,000	272,000

Overview

HOME OVERVIEW BUSINESS ECONOMY TOURISM CD-ROM EXPLORER EXIT

Figure 9-2

www.mindanao.org Website



- *Multimedia presentations for specific audiences.* Narrative slide shows were designed primarily for major investor groups (based in Manila and abroad), high-level government officials of the Philippines and the United States who need briefings on Mindanao development, and USAID representatives. The material was effective in getting them to appreciate the variety and complexity of the assistance provided by GEM and other USAID Programs to Mindanao (See **Annex 9-D**).
- *Information and media kits.* These are collections of economic data, investment maps, brochures and background information on Mindanao, GEM, and BSOs involved in organizing business events. These were provided to local and international journalists, usually at GEM media events and business conferences.
- *Brochures, poster and, flyers.* Collateral materials were conceptualized, written and/or edited, designed, printed and distributed by GEM to promote business in Mindanao, usually in major regional business events, and through the BSOs (See **Annex 9-E**). The materials were likewise updated, revised and “branded” with an MBC identity to keep them relevant even after the GEM program ended. They have been useful for MBC’s investment promotion activities.
- *Agriculture-related training materials.* These include Techno Guides on improved technologies for crop production and post-harvest handling; Buyers’ Guides that profile fruit and vegetable buyers for producers; Production Guide on crops and sites for buyers; and flyer-brochures for specific needs of growers and producer associations (See **Figure 9-3** and **Annex 9-F**).
- *Posters, panel displays and logos.* These are outdoor-oriented materials used to promote trade and investment in specific industries within Mindanao. They carried logos with Mindanao motifs to appropriately “brand” individual business support groups and regional programs (See **Figure 9-4** and **Annex 9-G**).

9.1.2 Key Communications Strategies

Know the multiple audiences. GEM directed its publicity and promotions efforts to specific audiences in order to deliver the positive messages on Mindanao more effectively. Audiences included the following:

- Mindanao business community
- The rest of the Philippine business community
- Potential international investors
- Key government agencies involved in Mindanao development
- The Muslim community
- The International community
- Civil society groups
- Media, both local and international.

Figure 9-3

Training Materials

- ♦ Temperate Vegetables in Mindanao (Production Area Profiles)
- ♦ Rubber Culture & Management (English version)
- ♦ Kalinangan at Pamamahala ng Goma (Tagalog version)
- ♦ Ang Pagpatubo ug ang Pag-amoma sa Goma (Visayan Version)
- ♦ Makabagong Paraan ng Pagtatanim ng Mais
- ♦ Eucheuma Training Material (Tausug version)
- ♦ Eucheuma Training Material (Sinama version)
- ♦ Eucheuma Training Material (Yakan version)
- ♦ Eucheuma Training Material (Samal version)
- ♦ Mga Gabay sa Pagtanim ng Mani
- ♦ Wastong Paglalagay ng Gamot sa Binhing Mais (Corn Seed Treatment)
- ♦ Kaukulang Pag-iingat sa Paggamit at Pangangasiwa ng Pestisido
- ♦ Pagpananom og Patatas Ginamit ang True Potato Seed (TPS)
- ♦ Tinuod nga Liso sa Patatas (True Potato Seeds TPS)
- ♦ Potato - Baterial Wilt Disease BW
- ♦ Bodega o Buhos para sa Unod nga Patatas
- ♦ Potato Tuber Moth PTM
- ♦ Potato Late Blight - LB
- ♦ Ang Pag-andam ug Pag-galam sa Semilya
- ♦ Onion Production for Export
- ♦ A Guide to Mango Culture and Technology for Mindanao, Philippines
- ♦ Peanut Production Manual
- ♦ Corn Production Manual

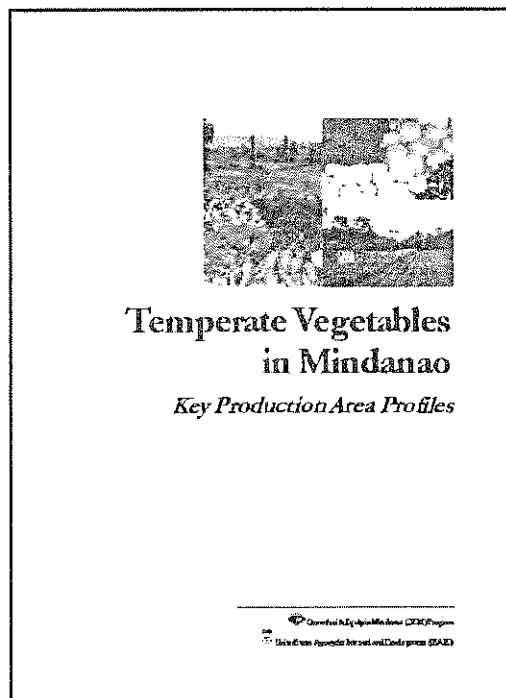
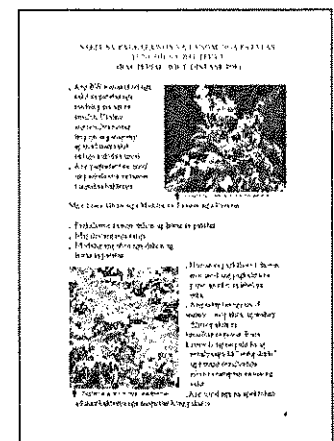
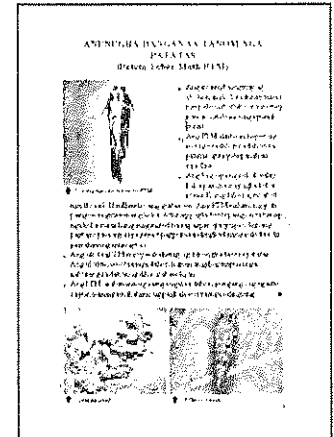
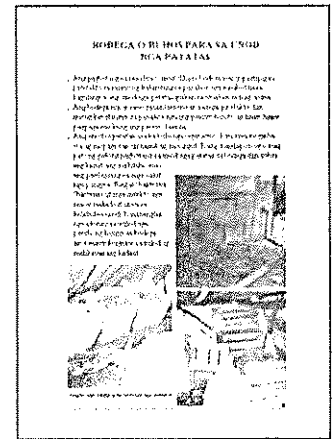


Figure 9-4

Posters and Panel Displays

- First ARMM Business Congress Poster
- 11th MinBizCon Poster
- VICSMIN Poster
- 10th MinBizCon Poster
- First and Second National Tree Farmers Congress
- BSO Panel Display
- Vegetable Industry Congress
- Palm Oil Congress Poster
- First Vegetable Congress Poster
- GEM Caraga Panel Displays
- Mindanao Seaweed Congress Posters
- GEM Soccksargen Panel Displays
- GEM Davao Panel Displays
- GEM Greater Northern Mindanao Panel Displays
- GEM Western Mindanao Panel Displays
- GEM Central Mindanao Panel Displays
- GEM Northwestern Mindanao Panel Displays
- GEM Mindanao-wide Panel displays



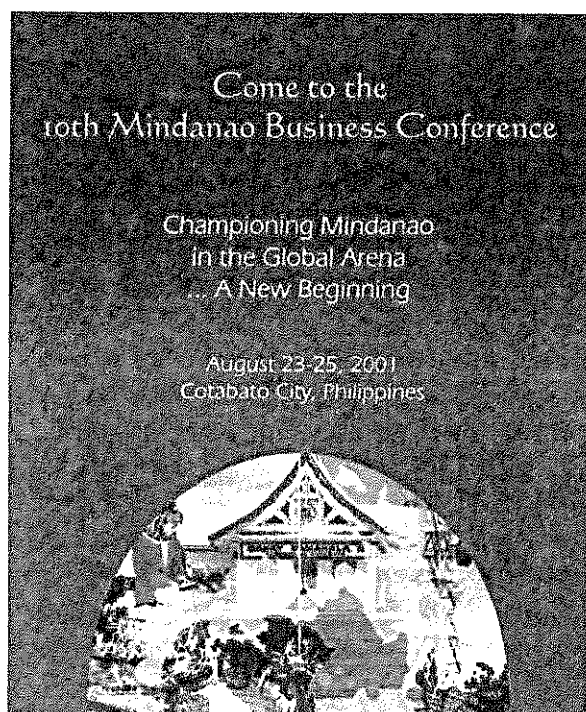
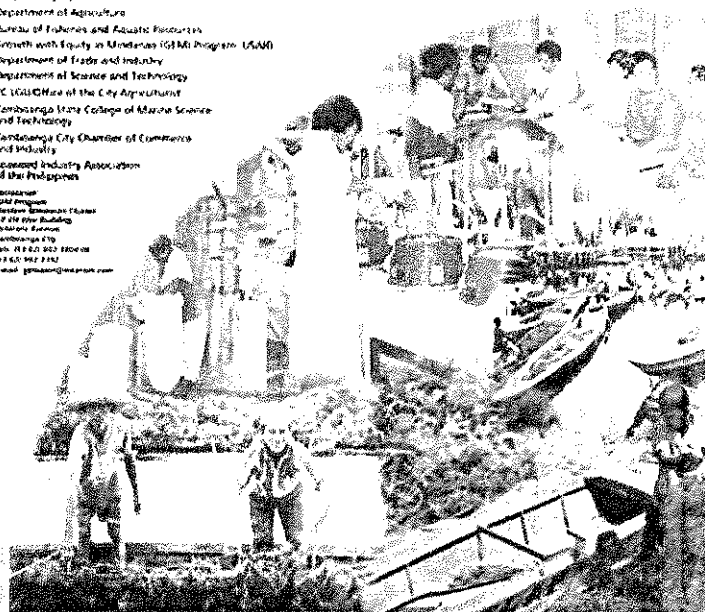
2nd Mindanao Seaweed Congress

"Philippine Seaweeds: Meeting global challenges through enhanced productivity and quality consciousness"

April 25-26, 2001

Grand Astoria Hotel, Zamboanga City

Organizer:
Western Mindanao Seaweed Industry Development Foundation
Cooperating Agencies:
Department of Agriculture
Bureau of Fisheries and Aquatic Resources
Growth with Equity in Mindanao (GEM) Program - USAID
Department of Trade and Industry
Department of Science and Technology
ZC LGU/Mesa of the City Government
Zamboanga State College of Marine Science and Technology
Zamboanga City Chamber of Commerce and Industry
Seaweed Industry Association of the Philippines
Sponsor:
GEM Program
Western Mindanao Seaweed Industry Development Foundation
GEM Office Building
Zamboanga City
Phone: (09) 822 8824
Fax: (09) 822 8824
E-mail: gseaweed@westernmindanao.com



Vital to this strategy was identifying which news and communication tools would draw a positive response from particular audiences. It was determined that businessmen were primarily interested in economic news and investment “success stories,” civil society groups responded positively to news of cooperation between the Muslim community and the greater Mindanao business community (represented by the MBC), while some media groups preferred to be provided with access to information rather than just be fed with press releases (See **Annex 9-I**).

Focus on specific messages. The predominant themes of GEM’s communications program included:

- Mindanao is a good place for business activity.
- Conflict is intermittent and limited to certain spots in the region.
- The Muslim community wants to participate fully in the region’s development.
- By clarifying their respective concerns and working together, the private sector and government are instituting effective policies to benefit Mindanao.
- BSOs, including the small and relatively new groups and those in conflict areas, have the capability to drive the engine of growth.
- The international community, including USAID, is working to help realize the goal of a peaceful, prosperous Mindanao.

The entire range of GEM communication materials, from news releases to panel displays, and GEM-organized events such as press conferences, were used to consistently deliver these messages.

Foster multi-sectoral cooperation. GEM encouraged the MBC and other BSOs to look beyond their traditional constituencies (i.e., their members and potential investors) and network with government, civil society groups, and business groups outside the region. This thrust was most useful at the height of the armed conflict and the resurgence of old anti-Muslim prejudices in 2000. During this time, GEM helped Muslim business groups form relationships with each other, with the Manila business community, and with business support groups in other countries, particularly in the BIMP-EAGA, rather than close themselves off. This cross-sectoral activity brought out Mindanao’s resilience, its ability to recover from and prevent conflict, and the ability of the different sectors and social communities to work together on common concerns for the betterment of Mindanao.

Strengthen GEM-assisted BSOs. GEM helped strengthen the communication skills of many BSOs, including the MBC, chambers of commerce, industry associations, and enterprise support groups (including several in the economically underdeveloped ARMM). They were assisted in conducting press conferences and interviews, producing press releases and promotional materials, speechwriting, and drafting of policy statements. GEM also conducted a special workshop to develop internal and external communication skills.

See opportunity in crisis. Media attention drawn by the negative developments in Mindanao opened up more opportunities to play up the positive side of the news. GEM took advantage of the increased media presence, providing journalists with other perspectives that would give depth to news coverages. They were also supplied relevant economic data, maps, and key people from

different sectors to interview (including the heads of GEM-assisted BSOs and GEM specialists). The net effect was a shift in perception that enabled the journalists to come up with more balanced news reportage. (See **Annex 9-H** for a case study on Crisis Management Communications).

Provide knowledge, not just PR. Beyond traditional PR practices (e.g., writing and distributing news releases), GEM organized activities meant to enhance journalists' knowledge of Mindanao, and get them to evaluate the manner in which the region is portrayed through their news reporting. They were connected to important new players like the Muslim Business Forum, and invited to roundtable discussions where representatives of government, business, and the NGO community shared their perspectives on Mindanao. GEM also commissioned an independent media watchdog to analyze media coverage in the region. While initially wary of the project, media people eventually appreciated the resultant sharing of knowledge that impacted on their work. It likewise generated goodwill and respect for what USAID was doing through the GEM Program.

9.2 Accomplishments

The following are the major accomplishments of the GEM communications program:

9.2.1 Tri-Media Placements

Placements of GEM-generated news in print, TV and radio formed the core of the strategy (See **Annex 9-M** for selected national and local press clippings):

- A total of 5,215 GEM-generated news stories and feature articles were placed in Manila-based national dailies from 1996 to the first half of 2002.

Year	No. of stories
1996	919
1997	730
1998	692
1999	878
2000	909
2001	719
Jan 1 to Jul 15, 2002	368
TOTAL	5,215

- GEM placements in Mindanao-based newspapers from 1996 to mid-July 2002 totaled 1,492 (partial returns only).

- Over 30 GEM-generated feature articles were published from 1996 to December 2001 in international publications (trade journals, business magazines, and leading international news weeklies) which included *Appropriate Technology*, *Asia Fruit*, *Asia Money*, *Asia Times*, *Asian Business*, *Asian Investor*, *Asian Wall Street Journal*, *Business Week*, *Credit Lyonnais Securities Asia*, *Economist*, *Far Eastern Economic Review*, *Financial Times*, *Fish Farming International*, *Rushford Report* and *Washington Times* (See **Annex 9-N** for selected international press clippings).
- GEM-generated news stories and GEM-organized interviews with business and agriculture leaders were broadcast in radio stations across Mindanao.

9.2.2 Special Publications

Special communications vehicles were tapped to help the private sector promote Mindanao.

- *Mindanao Policy News*. GEM conceptualized and designed the *Mindanao Policy News* to publicize positive developments in policy advocacy, and activities of the MBC. Aside from focusing on specific policy issues (e.g., the repeal of EO59 and the need to support the fishing industry through bilateral fishing access agreements), the newsletter played up the formal presentation of policy concerns to government at the MinBizCon and other events, as well as the government's response.
- *Mindanao One*. GEM also conceptualized and edited the Mindanao One column hosted by the MBC and published bi-monthly in the *Philippine Daily Inquirer*. The column gives readers a glimpse of what is happening inside the Mindanao business community, reports positive economic developments, and promotes Mindanao-wide business events. The topics included BIMP-EAGA trade links, Shariah banking, Mindanao reconstruction and recovery, the tuna industry, irrigation, the MinBizCon, and the Mindanao Food Congress. The column gives private sector representatives a venue for expressing their policy concerns and opinions.
- *Seafood Leader*. GEM arranged for a special feature on the tuna industry in General Santos City in this international trade publication. The resulting article, which was reproduced as a separate supplement and has served as a major promotional tool of the SOCKSARGEN fishing industry, attracted international investors to General Santos (See **Figure 9-5**).
- *Philippine Business Special Report: The Many Facets of Mindanao*. This supplement appeared in the monthly magazine of the Makati Business Club and showcased Mindanao as a frontier-turned-investment haven. Later reproduced as a promotional tool for the MBC, it carried stories on investment opportunities, the different growth areas of Mindanao, infrastructure, major crops and economic indicators. It also included short essays by leading businesspeople and an agriculture specialist.

Special Publications



MINDANAO POLICY
NEWS

AN MBO PUBLICATION FOR THE MINNESOTA BUSINESS COMMUNITY

Policy and MBC

"Policy" is a misnomer for the government, as it implies the application of a principle and not the mere expression of a desire. The government is not a policy-maker, but a policy-maker's representative. It is the government's duty to represent the people's interests, not to impose its own policy on them. The government is not a policy-maker, but a policy-maker's representative. It is the government's duty to represent the people's interests, not to impose its own policy on them.

As the recipient of the 2002 Nobel Prize in Economics, the MPC has come to prominence, faced an uphill battle and policy convergence. It is a

- Reduction in the number of personnel involved in the process of procuring an infrastructure asset (15 points)
- Expenses are able to influence the cost of the asset and are not entering the scope of acquisition—this is an error ("it was not")
- Driving costs: capital effects are not considered
- Reduction in the number of assets and decrease in the production and procurement of new assets
- Principle for assets and expenses acquisition: *Procurement process*
- In the selection: 1. The company has to select the best option for the attainable asset (e.g. fixed assets). It means to develop a *procurement strategy* through internal and external communication
- Through internal means to the company:
 - *Procurement strategy* and *Procurement Policy* are used as tools, such as the *internal communication*
 - *Procurement Policy* is a document that describes the *Procurement Strategy* (e.g. *MRM can help to find a supplier*)
 - *Procurement Policy* is needed for the *internal* and *external*



MANAGEMENT EDUCATION is the required curriculum field in Quito City in preparation for the 2000. His policy issues were tackled by J. C. Arana's Santos, PCCI regional governor for Coastal Sierrama and former head of the Manabito Chamber of Commerce (Caja Costera, 1988) finance and marketing bank, and Professor at the University of the Cajas for Finance and Administration, University of Azuay and the Pacific.

9th MinBizCon to focus on policy, Mindanao's role in economy

KORONADAL, SOUTH COTABATO - The biggest annual gathering of business leaders in Mindanao will be held this year in Koronadal, South Cotabato, and will focus on policy issues and collaboration between the private sector and government, according to organizers.

The 9th Mindanao Business Conference will be held on July 29, 2002, sponsored since then, conference director and regional governor for Southern Mindanao for the Philippine Chamber of Commerce and Industry (PCCI). This year's conference is a special one because it will outline the role to

[illegible]

This general ambition has already been acted upon by the national government. These include requests for a major credit rescheduling period for heavily indebted states, an increased budget ceiling, the Ministry's development and rural infrastructure, and the allocation of at least 34 percent of the agricultural budget to infrastructure in order to develop rural infrastructure and improve rural living conditions (the way forward page).

The call for an increased budget allocation for Mindanao was supported by various stakeholders, institutions and individuals, including the Mindanao Legislative Assembly (MLA), the Mindanao Conference of Governors and Mayors (CMG), and the Mindanao Economic Development Council (MEDC), which advocated rescheduling in accordance with the various stakeholders' investments in the island. The Mindanao MLA also urged the country's "food basket".

Other researchers, not taking account the intended use for the system, have reported that the more data the user has to enter, the more errors are made. This is not always true, as the user may be more careful when entering data. However, the more data the user has to enter, the more likely they are to make errors. This is a general principle of human factors, and it is important to consider it when designing a system.

Aside from serving as a policy advocacy forum for the Midwestern business community, the conference will provide a significant marketing opportunity for both local and foreign businesses, and thus.

Some 1,000 delegates are expected to attend the MABC, which will also highlight new technology products and services. The South California Chamber of Commerce will host the event and serve as conference host.

Empowering the Muslim entrepreneur

Verdical Bankang w/ shirya in bay after carry

MINDANAO ONE



Joseph George T. Owens

Reason dictates that all the people of Honduras, whether Muslim or Christian of any faith, should have a say in the nation's evolution. As a Muslim has no objection to his belief in self-reliance and personal enterprise as a means for bringing about positive and lasting changes, I would like to make sure that our entrepreneurs are able to participate in and contribute to the economic changes taking place.

The traditional occupations of Muslim entrepreneurs in Medan are trading, wholesale and retail. More recently, some have ventured into agribusiness. Some of their business practices, however, have not evolved beyond patterns common to the Muslim. The tradition is usually small scale and unorganized and done on a cash and carry basis. Muslim entrepreneurs rarely make use of the modern banking system, with many losing their possessions on loans to a clerk who cannot file documents, use

This has been the case for penitentiaries, who find themselves excluded on the margin of the national economy, working mainly as a source of raw materials incorporated and done on a task and carry to us. Muslim entrepreneurs rarely make use of the mainstream banking system, with some limiting their patronage of banks to a checking account for domestic use.

There has been the case for years alone, who Mundano itself existed in the margins of the national economy, serving mainly as a support

What are some of the most pressing civil rights issues for the African American community? At the top of our list would be the policies of the Federal Government of the United States.

fecting the growth of micro-organisms in estuaries, certainly, as well as across in construction, training and capacity-building.

We are also interested in seeing if Moslem banking agreements establish beyond Shariah based banking services as a practical financial system for developing Mos-

unregulated and drew on a cash and carry basis. African entrepreneurs rarely used one of the mature cash banking systems, with most financing their patronage of banks to a checking account for diamonds, use.

This has been the case for generations, when Mundurucu wealth existed on the margins of the national economy, seeping mainly as a source of raw materials.

Within the new global order, however, Mindanao is no longer the Philippine "backdoor" but a gateway to investment and trade opportunities on BIMP-EAPS (Brimas Bay Economic Area Partnership) and trade opportunities on BIMP-EAPS (Brimas Bay Economic Area Partnership) and trade opportunities on BIMP-EAPS (Brimas Bay Economic Area Partnership).

est attempt to harness intelligibly the collective aspirations of Muslim professionals and entrepreneurs who want to do their part in shaping the economic development of Mindanao, in general, and of the Muslim business community in particular.

We would like, in particular, to strengthen the African peace sector's ability to engage the governments and other development players in dialogue and joint action to ensure policy changes that will eliminate poverty and be the "cyclical" playing field.

What are some of the most pressing issues right now for the Muslim business community? At the top of our list would be the policies affecting the growth of money in medium-sized enterprises, companies, as well as access to credit.

We are also interested in seeing

Under the banking community's criticism, the report states that the banking system is a global credit support system for developing African business and enterprise enterprises.

Muslim businessmen have seen Shari'ah banking successfully integrated into the business and financial systems of neighboring Islamic societies like Malaysia. In Indonesia, particularly, Islam, banking has been very effective in strengthening the capacity of micro entrepreneurs and we feel that the same can happen in Mondulay.

It will take a strong political will and commitment by the government, the Moslem sector and the Muslim community to ensure that Muslims are involved in economic development that improves upon their lives in Iran and should be done.

The MUI is now laying the groundwork for these initiatives to facilitate the transition of entrepreneurial Muslims into the mainstream economy. Later this year, a *Muslimah* forum on Muslim economic empowerment will be held to serve as a venue for discussing such

It will gather together businessmen, lawyers, economic advisers, legislators, and government and funding institutions for the purpose of formulating a common agenda and strategy.

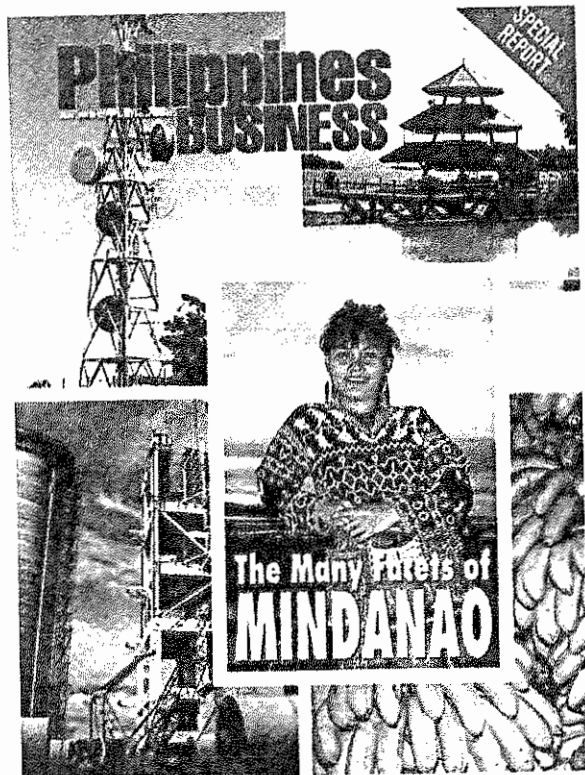
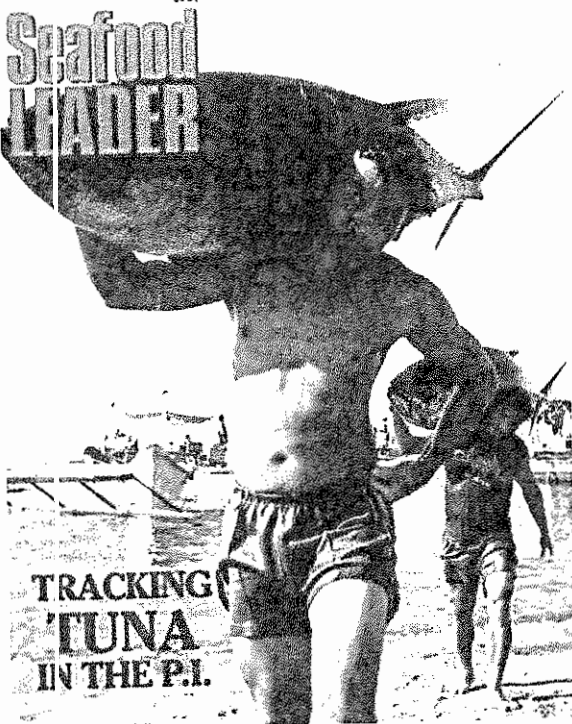
By placing entrepreneurship and self-
 made on the core of our advocacy, the MIB
 hopes we will be able to help bring about

economic emancipation in the Slavonic community, without which this island-region will not be able to move forward.

Juana Herrera Obando is chair of the **Business in Foreign and a trustee of the Afro-Business Council.**

MAKING MONEY WITH MAIL ORDER • HACCP: HELP OR HYPE?

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9.2.3 Mindanao-wide Conferences and Trade Events

GEM provided communications support to business conferences, trade shows and other Mindanao events organized by GEM-supported BSOs and/or funded by GEM in the form of:

- Pre- and post-event publicity (through GEM-generated news, press conferences and tri-media guest appearances);
- Production of posters, brochures and other event-related promotional materials;
- Photo-documentation;
- Media coordination and press room management;
- Assistance in writing and editing speeches and presentations; and
- Manning trade exhibit booths where promotional materials (e.g., GEM maps, Investment CD-ROM and Video, and agricultural reference and training materials) were sold/distributed.

Some of the events to which GEM provided assistance include the following:

- 5th to 11th Mindanao Business Conference (1996-2002)
- Mindanao Trade Expo (1996-2002)
- 1st to 4th Mindanao Mango Congress (1997-2000)
- 1st Mindanao Weavers Congress (1997)
- 3rd to 8th Caraga Business Conference (1997-2002)
- 1st to 4th Mindanao Food Congress (1998-2002)
- 1st and 2nd Mindanao Budget Summit (1999, 2002)
- Mindanao Investment Forum (1999)
- 1st and 2nd Mindanao Fruit Industry Conference (1999, 2002)
- 1st and 2nd National Tree Farmers Congress (1999, 2002)
- 1st to 4th National Tuna Congress (1999-2002)
- 1st to 3rd Davao Agri-Industrial Trade Fair and Exhibit (1999-2001)
- 1st and 2nd Go Mindanao! Travel and Tourism Expo (1999, 2000)
- 1st to 4th Davao Business Conference (1999-2002)
- 1st to 3rd Mindanao Seaweed Congress (2000-2002)
- 1st Mindanao Congress on Information and Communications Technology (2001)
- Philippines and East ASEAN Weavers Expo (2001)
- 1st Mindanao Forum on Muslim Economic Initiatives (2001)
- 1st BIMP-EAGA Muslim Business Summit (2002)
- 1st ARMM Business Congress (2002)

9.2.4 Web-Related Activities

GEM conceptualized, produced and maintained its website (www.mindanao.org), now regarded as one of the top three internet sites on Mindanao. It has been linked to Yahoo's "Full News Coverage" webpages featuring Mindanao-related news. GEM also revised MBC's website (www.minbiz-online.com) and created a subsidiary homepage for the 10th Mindanao Business Conference. In 2001, the GEM Program and Mindanao Business Council websites were merged into one – www.mindanao.org.

MBC and GEM news, photos and other information are uploaded on the website twice a week. An e-list of 700 subscribers is sent an update of the website's contents at least once a month. The e-mail update lists news items directly linked to the site.

9.2.5 Investment Maps and Specialized Maps

Among GEM's most effective tools are the GEM Investment Maps, highly detailed and colorful, which have been widely employed both by government and the business sector in promoting trade and investment in the region. The maps include information on political boundaries, primary, secondary and tertiary road networks, shipping ports and airports, industrial and agro-industrial centers, fishing grounds, tourist attractions, and land use classification. Particularly useful are the lists of investment opportunities for specific areas.

The Program continually revised and updated the GIS files used in the production of the Mindanao-wide Investment Map and the six different Growth Cluster Maps, with inputs from the different GEM area offices. About 3,000 copies of the maps were printed in 1998 and 2001. A year 2000 edition of the Mindanao-wide Investment Map was also produced (See **Annex 9-C**).

The maps were sold by the MBC in major business conferences in Mindanao, Manila, and abroad, particularly in the East ASEAN Growth Area. Copies were given to local and foreign journalists, selected business schools, the Makati Business Club and other Manila-based Chambers of Commerce and business groups, and trade missions.

GEM also produced specialized maps for the GEM-ELAP agribusiness and infrastructure teams for distribution to concerned BSOs and government agencies.

9.2.6 Media/Communications Events

GEM organized special events to enhance media understanding of the situation in Mindanao, and to strengthen the capabilities of BSOs to deal with the media and to effectively communicate with their stakeholders (See **Annex 9-K**). These include the following:

- *Fernandina Forum (1998-2002)*. GEM regularly sponsored and organized Fernandina Forums where leaders from the private and local government sectors discussed the Mindanao agenda. The Forum is a weekly "*kapihan*" (coffee session) held at the Ciudad Fernandina in Greenhills, Metro Manila. It is well-attended by the tri-media, including the national TV networks and foreign journalists. Following the spate of kidnappings and the outbreak of hostilities between the GOP and the MILF in 2001, Fernandina sessions sponsored and organized by GEM kept Mindanao economic and trade issues alive when it could have been swamped by the more sensational coverage of the conflicts. The Forums also highlighted the interaction and cooperation between Mindanao's Muslim and non-Muslim population, and the need to preserve the economic gains of the last decade. Another benefit was the high media profile given the MBC and the MBF.

- *CMFR Analysis and Briefing (2000)*. To address the perceived imbalance in news reporting on Mindanao at the height of the conflict between the Philippine Government and the MILF, the Center for Media Freedom and Responsibility (CMFR), a media watchdog group, GEM commissioned to monitor four months of print media coverage on the subject. Their findings, presented at a briefing at the Club Filipino in Manila with 30 editors and journalists in attendance, revealed a heavy bias towards war reportage, with little front page coverage of economic development, business news, and the perspectives of Mindanaoans, particularly those in areas directly affected by the conflict. The complete analysis report was published in the September issue of the *Philippine Journalism Review* (sent to over 500 mainstream journalists and editors nationwide), titled: “Special Report: Media failed to educate the public on the Mindanao crisis.” The briefing merited a front-page story in the *Philippine Post* and was featured in several columns. GEM sponsored the Analysis and Briefing session with the MBC as co-organizer.
- *Mindanao Briefing for PPI Editors and Correspondents (2000)*. As a follow-up activity to the CMFR analysis and briefing, a two-day roundtable discussion on the current Mindanao situation was organized for senior editors and correspondents of the eight leading Metro Manila dailies. They met with speakers from various Mindanao sectors, including the government, the Muslim community (BMWF), the private sector (MBC and MBF), the peace sector (Cotabato’s Bishop), and the donor community. The briefing was organized by GEM in partnership with the Philippine Press Institute (PPI), with the MBC as official host.
- *Communications Workshop for Mindanao BSOs (2000)*. The workshop consisted of presentations and roundtable discussions on BSO “best practices” by guest speakers, emphasizing both internal and external communications. Highlight was the hands-on training on how to produce news releases, brochures, newsletters, etc. Participants included the MBC, leading chambers of commerce, and Mindanao-wide BSOs, with a large Muslim component participating. Among the speakers were senior editors from the national and regional media and the Executive Directors of the Cebu Chamber, the SOCSKSARGEN Fishing Federation and the Makati Business Club. The workshop was co-organized by GEM and the MBC.
- *Seminar on Business News Writing (2001)*. This seminar was organized by GEM in response to requests by media associations in Northern Mindanao. Speakers were led by the managing editor of BusinessWorld and a leading Manila securities analyst who provided regional business and financial journalists with tips on sources of economic news, the basics of a good news story, and features of economic news writing.
- *MinBizTalk (2002)*. This is a bi-monthly TV talk show where journalists focus on Mindanao economic development. It features business and government leaders who discuss such topics as BIMP-EAGA, infrastructure development, various industries, particularly those relating to agriculture, major business conferences, the peace process, and security issues for the region. MinBizTalk is aired throughout Mindanao by local cable networks. It is jointly being undertaken by MEDCo and MBC, with GEM

providing technical assistance, helping conceptualize the format, and publicizing the show in the print media.

9.2.7 Assistance to Muslim Business Community and Conflict Prevention

GEM, in addition to its normal business promotion activities, employed a number of strategies to counter negative public perception about Mindanao and the Muslim community arising from GOP-MILF hostilities in 2001 and the high profile kidnappings by the Abu Sayyaf from 2000 to 2002. These include the following:

- Taking advantage of the public interest aroused by the “war” coverage, a large number of TV appearances were arranged for business leaders and key government officials, allowing them to articulate economic support and policy reform for the region.\
- In-depth news stories and feature articles that focused on former MNLF combatants entering the economic mainstream through the ELAP program were placed in the national media.
- Prominent coverage was given to Muslim participation, especially that of the Muslim Business Forum, in the 9th MinBizCon and other business events.
- Two of GEM’s special media events focused on Muslim communities in the ARMM and other parts of Mindanao.
- Distribution of news and feature articles within Mindanao was increased, to help foster a regional consciousness with regard to economic development.
- Special media emphasis was given to the ARMM, Muslim and EAGA business events and activities, including the 1st Mindanao Forum on Muslim Economic Initiatives, the 1st BIMP-EAGA Muslim Business Summit, and the 1st ARMM Business Congress, which are all GEM-supported events.

9.2.8 Assistance to Other USAID Programs

GEM assisted other USAID Programs in their communication efforts through photo coverages, press release writing and editing, and placement of news and photo releases. These included the Livelihood Enhancement and Peace (LEAP) Program, Micro-enterprise Access to Banking Services (MABS), Coastal Resource Management Program (CRMP), Well-Family Midwife Clinics (WFMC), and Alliance for Mindanao Off-Grid Renewable Energy (AMORE). The Programs were also featured in PowerPoint slide shows on USAID activities in Mindanao (See **Annex 9-L** for sample slideshow featuring other USAID Programs).

9.2.9 Capability-Building of Local Media

GEM helped develop the skills of Mindanao-based media groups to ensure that positive media exposure on Mindanao’s economic and social development can be sustained. This is crucial as the majority of Manila-based newspapers and media organizations were unable, for a variety of reasons, to operate full-staff news bureaus in Mindanao. GEM support included technical assistance for conferences of regional divisions of the PIA (the government news arm), technical assistance for MindaNews (the leading wire news service operating out of Mindanao), and a special Seminar on Business News Writing.

9.2.10 IABC Gold Quill Awards

GEM garnered two Merit Gold Quill Awards (1999 and 2002) from the prestigious International Association of Business Communicators (IABC) based in San Francisco, USA for its communications program. The IABC is a network of professionals committed to improving organizational effectiveness through strategic communication, serving members in 60 countries and 10,000 organizations.

For the past 25 years, IABC's Gold Quill program has been the hallmark of excellence in business communication, and over 1,000 entries compete for the annual awards. The 1999 GEM entry won in the Communication Management category, while the 2002 GEM entry was the sole winner in the International Aid Programs category of the new Economic, Social and Environmental Development Division.

9.2.11 Branding Success

Through the years, GEM has become an established name and logo, seen in various information materials, business events, and as a tagline in published news and feature stories. The GEM name and logo are widely recognized throughout Mindanao and among government and opinion leaders in Manila.

9.2.12 Other GEM Communications Initiatives

- Initiated enrollment of MBC in the Philippine Council for NGO Certification, not just to establish MBC's status as an NGO, but also to introduce the Council to Manila-based civil society groups.
- Worked on the participation of the MBF in the 9th MinBizCon, and personally introduced its lead officers to the Makati Business Club, helping the Forum establish links with the mainstream business community.
- Served as initial link between the Cotabato City Muslim Chamber and the MBC in anticipation of the 10th MinBizCon in 2001, which was held in Cotabato City.
- Made a presentation on BSO communications and media relations at a Chamber Management Workshop organized by the PCCI in General Santos.
- Facilitated the first meeting of the three active Muslim business support groups in the region: the Muslim Business Forum, Cotabato City Muslim Chamber, and ARMM Business Council (Maguindanao Chamber).

9.3 Conclusion

GEM promoted increased trade and investment in Mindanao through a comprehensive information campaign. The GEM communications program also directly supported all other GEM activities. The importance of this support to the overall success of the GEM Program can not be overemphasized.

The Program's communications efforts focused on positioning Mindanao as a promising trade and investment destination and on supporting policy advocacy efforts centered on the promotion of peace and necessary policy reforms. Tools used to accomplish these tasks included (a) multi-media placement of "success stories" and story releases promoting infrastructure improvements, trade opportunities and policy reforms meant to spur economic development; (b) promotional materials for conferences; (c) selected independent events (briefings for editors, communication skills training); (d) promotional materials such as brochures, posters, videos, CD-ROMs, maps and production training materials, and producer and buyers guides used and sold by producer organizations; and (e) special media activities that included press conferences, appearances in national television and radio programs, familiarization tours, and assistance for local and foreign media (see **Figure 9-6**). GEM averaged over 800 positive news story placements per year in the print media, about half of which focused on conflict-affected areas.

GEM also helped Mindanao BSOs develop their skills in media and public relations and prepare themselves to continue their PR campaigns after the Program had ended. GEM provided communications support to BSO events and activities (e.g., trade shows and conferences), and to other USAID Programs.

GEM employed a number of strategies to counter negative public perception about conflict-affected areas and their Muslim residents arising from the Sipadan kidnapping and the armed conflict between the GOP and the MILF. A large number of TV appearances were arranged for Muslim and other business persons where they advocated peace, and economic and policy reform for the region. In-depth news stories and feature articles that focused on former MNLF combatants entering the economic mainstream through the ELAP program were also generated. Prominent coverage was given to Muslim participation in the 9th and 10th MinBizCon and other business events. Distribution of news and feature articles in the Mindanao-based press was increased to help foster a regional consciousness centered on economic development.

GEM received two "Gold Quill" Awards (in 1999 and 2001) from the International Association of Business Communicators for its communications program.

Figure 9-6

GEM Story Placements, Events and Materials

GEM-generated Placements in Print and Broadcast Media

International publications	30
National newspapers	5,371
Mindanao newspapers	1,529
Radio	24
Television	7

Special Media / Investor Relations

Press conferences	25	
Media Forum		
- Live	5	
- Television	14	
Familiarization tours	8	
Itinerary planning	12	
Information and media kits	3,500	
Workshops	4	
Multimedia presentations	75	
Newsletter	7 issues	(2,500 copies distributed)
Multimedia	40	
Training materials	30	(19,132 copies distributed)
Poster displays	24	
Report covers	24	
Documentation photographs	8,000	
Logos	8	

Special Materials Development

Investment Video	1	(1,000 copies distributed)
Investment Brochures	12	(72,000 copies distributed)
Brochures for BSOs	9	
Investment maps	7	(22,618 copies distributed)
ELAP-LEAP and other maps	14	
Briefing presentations	12	
Slideshow presentation for USAID senior official visits and other USAID projects	13	
CD ROM	1	(3,287 copies distributed)

Chapter 10

**GEM Collaboration with
Other Donors and Other
USAID Projects**

1.0 Introduction

GEM collaborated with other donors and other USAID projects to accelerate implementation of their activities in Mindanao and to obtain additional support for successful implementation of GEM activities. Assistance was designed to promote equitable economic growth, and opportunities for broad participation in such growth and its benefits. Through its field presence and network throughout Mindanao, GEM was able to link other donors and other USAID projects to various beneficiary groups, local contacts, and private and government partner organizations. It provided technical assistance in preparing proposals on behalf of local communities for funding by donors; preparing engineering designs and other technical documents; providing information on needs, priorities, plans and prevailing situation in the areas; arranging briefings and meetings; and providing technical inputs and data to donor missions in Mindanao.

The GEM Program was particularly successful in working with other donors to accelerate infrastructure development. With GEM assistance, the implementation of six major donor-assisted port, irrigation, post-harvest and training facilities development projects worth US\$162 million had been started. In addition, GEM helped local communities in conflict-affected areas access USAID and other donor grants for 140 small post-harvest infrastructure projects and pieces of equipment. On many occasions, donors approached GEM for assistance or GEM approached donors. Only the highlights are provided below.

10.1 Donors Directly Assisted by GEM

Japan

- GEM conducted briefings on the Mindanao situation and infrastructure investment opportunities for Manila-based officials of the Japan Bank for International Cooperation or JBIC (formerly Overseas Economic Cooperation Fund or OECF) and the Japan International Cooperation Agency (JICA). They were also given project profiles and briefs for reference in planning.
- GEM supported and gave technical assistance to MEDCo and other Mindanao agencies that hosted JBIC and JICA official missions. GEM prepared proposals on a wide-range of sectors (i.e., solid waste management, watershed management, urban transport and environment study); and proposals for funding support.
- Together with MEDCo, GEM helped LGUs prepare proposals for small infrastructure projects seeking funding from Japan's Grassroots Grant-Aid Program (GRGAP); e.g. an irrigation project for the province of Maguindanao.
- GEM helped Japanese officials and their consultants gather data and necessary inputs to prepare pipeline projects or conduct studies for and design of approved projects. These included the Master Plan for the Davao Integrated Development Program, Design for the

Butuan Bypass Road and Second Magsaysay Bridge, Design for the Mindanao Container Terminal Port (MCTP) and monitoring activities for the Lower Agusan Development Project- Phase 2 and the MCTP.

World Bank

- GEM joined MEDCo in various meetings where World Bank officials and consultants assessed current and explored new projects in Mindanao. Projects included the SZOPAD Social Fund, Mindanao Rural Development Program and the Highway Management Project.
- GEM helped in the proposal preparation, engineering design, and field survey that resulted in 45 small rural infrastructure grants from the World Bank-funded Social Fund for MNLF communities. The grants funded post-harvest facilities, *madrasah* school buildings and portable water systems.
- GEM, together with MEDCo and local stakeholder groups (i.e. IMAG) monitored World Bank-assisted road projects (those under the HMP and the National Road Improvement Management Project) to insure performance quality and on-schedule completion. GEM provided critical inputs that went to refining the implementation set-up and procedures used for accessing the SZOPAD Social Fund by the target beneficiaries.

Great Britain

- GEM leveraged its technical assistance and local presence with the Department for International Development (DfID) of the British Embassy to provide small infrastructure grants for seaweed and grain post-harvest facilities in a number of ELAP sites.
- GEM provided supporting data and recommendations on priority sites to the contractors of the British-funded Presidential Bridge Program in Mindanao, Kverner Corporation and Mabbey and Johnson Corporation.

New Zealand

- GEM leveraged its assistance and local presence so that selected small communities could access small grant funds from the New Zealand Embassy in Manila. GEM helped them prepare project proposals, in accordance with the format of the funding source, and served as liaison between the communities and the project officer of the Embassy to make sure that all requirements were complied with. These included financial proposals for the Lamitan Water District and Talingod Water Supply, and a reforestation project for Muslim families.
- GEM coordinated with the beneficiary-communities and facilitated verification visits and inspections conducted by New Zealand officials in the project sites.

ADB

- GEM and MEDCo participated in meetings where ADB officials and consultants assessed project implementation or explored potential projects in Mindanao.
- GEM provided technical inputs for the Southern Philippines Airports Development Project, Grains Sector Development Program, Sixth Road Improvement Project, and a pre-appraisal mission for the ADB Agrarian Reform Communities Project.
- GEM helped identify high value crops for the Bukidnon Integrated Rural Development Project and assisted in planning the Mindanao Urban Planning and Basic Services Project.

Australia

- GEM provided data and information on Mindanao upon request of the Australian Trade Commission-Manila Office (Austrade). The data was used by Austrade in the preparation of briefs and situationers on various Mindanao industries.

Canada

- GEM collaborated with the CIDA-funded Local Government Support Project in Region XI (LGSP XII) which guided and advised the Malalag Bay Alliance on the appropriate process of preparing and accessing funds for their water supply project. (The Alliance is composed of five municipalities surrounding Malalag Bay in Davao del Sur.)
- GEM provided requested papers and materials on the Mindanao transportation sector to a visiting CIDA (Canadian International Development Agency) researcher tasked to prepare an assessment and analysis of the sector.

United Nations Development Program (UNDP)

- GEM worked with the DOST-Philippine Council for Aquatic and Marine Research and Development (PCAMRD) to introduce and propagate genetically improved seaweed, under a US\$300,000 project funded by UNDP.
- GEM helped UNDP complete the development of a rice and corn mill in Kolambugan, Lanao del Norte that benefited 1,500 members of a farmers cooperative. GEM provided a grant of PhP350,000 to augment UNDP's PhP1.2 million initial grant to complete the structure and bring the equipment to operational condition.

United Nations Industrial Development Organization (UNIDO)

- GEM provided technical inputs to conceptualizing the UNIDO Industrial Development Programme for Income and Employment Generation in Mindanao.

European Union (EU)

- GEM collaborated with the EU-funded Department of Agriculture Upland Development Programme for Southern Mindanao (UDP) in the development of the peanut industry in South Cotabato. GEM provided assistance through technology training, market linkage, networking with relevant agencies, and facilitation of the signing of a MOA on September 2001 among the NMPIA, UDP and FPUFAI on the commercial production and marketing of peanuts.

Food and Agriculture Organization-Technical Support to Agrarian Reform and Rural Development (FAO-TSARRD)

- GEM co-sponsored extension services to agrarian reform communities throughout Mindanao.
- GEM-ELAP coordinated with FAO- and UNDP-funded Rapid Vegetable Production Program in selecting sites and beneficiaries so as to avoid duplication of efforts.

10.2 Case Study on GEM-New Zealand Government Collaboration

GEM has had a long-standing working relationship with the New Zealand Government in pursuing its development initiatives in Mindanao. Since 1997, GEM and the New Zealand Embassy had collaborated in the implementation of small NZ grant-funded projects, forestry development, and trade and investment promotion on the island.

For NZ's small project grant facility, GEM identified proponent groups and helped them prepare proposals, and assisted in monitoring their implementation. The NZ government provided part of the funding. A total of nine projects received NZ funding, including two in Basilan and the rest in ELAM or GEM seaweed sites.

In 1997, GEM helped the Lamitan Water District obtain a NZ grant of PhP600,000 to fund its water supply services expansion. Distribution pipes were installed to bring potable water to 1,320 students of Colonia Elementary and High School and 700 residents of Barangays Kulay Bato and Colonia.

In 1998, 800 families in and around Reina, Regente, Sultan sa Barongis, Maguindanao—a community with strong ties to the Moro Islamic Liberation Front—planted fruit trees, timber and vegetables in an area devastated by encounters between the government forces and rebels. This was made possible through the collective efforts of GEM, the NZ embassy, UNDP and the DA. NZ provided the beneficiaries assorted farming tools and inputs worth PhP365,000.

NZ also funded in 2000 the establishment of one-hectare centralized rubber industry in Barangay Panonsolan, Isabel, Basilan to provide rubber seedlings to the members of the Basilan Federation of Small Rubber Growers Association. GEM prepared the proposal for this project, which has already produced more than 20,000 seedlings at the end of the GEM Program.

That same year, NZ provided grant funding of Php1.2 million for a Level 3 community-based water project initiated by the Talaingod Women's Association, Inc. in Kapalong Compostela Valkay. GEM helped the association package the project proposal for the water system and endorsed it to the NZ Embassy. The water system is operational and now serves about 400 households.

Also in 2000, NZ provided grant funding of Php100,000 to purchase nine sewing machines that were provided to the Wao MNLF Women's Multi-purpose Cooperative. This group is composed of 40 former MNLF female combatants and wives of MNLF commanders based in Wao, Lanao del Sur. GEM-ELAP prepared the project proposal and assisted in the procurement and on-site delivery of the sewing machines which are being used for a sewing enterprise.

The Sacol Island Moro Fishing Multi-purpose Cooperative was provided by NZ in November 2000 with a solar dryer and warehouse worth Php200,000 located in Taluksangay, Zamboanga City. The 37 member families of this cooperative are former ELAP seaweed beneficiaries. GEM helped them secure the grant funding and ensured the project's smooth and quick implementation.

About the same time, NZ also provided Php300,000 to the Lanao Utara United Bangsamoro Islamic Cooperatives in Lanao for solar dryer construction materials, and capital for rice milling and trading activities. GEM-ELAP arranged for the NZ grant to this project which complemented the corn production inputs given by the former. The cooperative is composed of 80 former MNLF combatants.

In 2001, the Ballak-Cabaluay Kilusang Bayan Multi-purpose Cooperative in Zamboanga City received a Php200,000 grant from NZ for a seaweed farming and marketing project. GEM also prepared the proposal and assisted the group in its procurement activities.

NZ funded the construction of a Php200,000 seaweed solar dryer in Tabtabon Island, Zamboanga City for the Zamboanga City Seaweed Farmers Association. GEM identified the beneficiary group consisting of 36 families, drafted the project proposal, and assisted in its implementation. The facility was completed in April 2002.

The NZ Government also collaborated with GEM in forestry development projects in Mindanao. During the 1st Mindanao Tree Farmers Congress in 2001 in Tagum, Davao del Norte, the NZ Embassy provided technical support, a resource person, and a video documentary on the tree farming industry in New Zealand. The Congress was organized by TREES Mindanao, a sectoral BSO supported by GEM. In July 2002, NZ again supported the 2nd National Tree Farmers Congress in Butuan City with a grant of Php50,000. During the event, the NZ experience in tree farming was again featured as a model for an economically viable and environmentally sustainable activity.

In the area of trade and investment promotion, GEM helped the Trade Development Office of the NZ Embassy organize a seminar on trade opportunities with NZ. The one-day forum provided about 100 local businessmen an overview of prospects for trade, investment and tourism between Mindanao and NZ. Also on several occasions, GEM has organized meetings and briefings for

NZ Embassy-organized trips to Mindanao. In May 2001, for example, GEM gave a briefing to the NZ ambassador and his wife in Davao City.

10.3 Assistance/Collaboration with Other USAID Projects

Livelihood Enhancement and Peace (LEAP) Program

- The LEAP Program started in December 2001 with the signing of a contract between USAID and the Louis Berger Group. LEAP was designed to assist former MNLF combatants not reached by the ELAP Program to initiate or significantly expand production of crops suitable for the areas where they lived.
- The GEM Program worked collaboratively on a day-to-day basis with the LEAP Program, providing communications support and assisting efforts to bring small rural infrastructure into LEAP communities.

Accelerating Growth Investment and Liberalization with Equity (AGILE) Project

- GEM helped the AGILE Project of USAID access an effective policy advocacy network in Mindanao to help BSOs lobby for needed policy change in shipping and port handling services. These policy changes would lead to the reduction of transport costs for Mindanao's produce and to additional investment in port improvements in Mindanao. This led to a sustained private sector campaign for reforms and transparent governance in the maritime industry.
- In pursuit of transparent governance, GEM also worked with AGILE to initiate an activity to help the ARMM government improve its procurement procedures. GEM also successfully collaborated with AGILE on efforts to gain broader public and specific government support for the introduction of GMOs.

BOT II and BOT III Project

- GEM worked with the BOT II and its successor BOT III Project, both funded by USAID, by providing in-house consultant's services to the Coordinating Council for Private Sector Participation or CCPSP (formerly BOT Center), an office under the Office of the President.
- GEM collaborated with the CCPSP and BOT II/III Consultants to develop BOT-type projects in Mindanao and to facilitate the latter's assistance to LGUs and other agencies. These included exploratory and pre-implementation activities for the following projects: General Santos City Integrated Bus Terminal, Sta. Ana Waterfront Development, Davao City Integrated Solid Waste Management and Davao del Norte Water Resources Development.

- GEM also accessed the expertise of the BOT II/III Consultants by participating in their general seminar-training and by sponsoring special sessions for GEM's technical personnel.

United States–Asia Environmental Partnership (US-AEP) Program

- GEM collaborated with the US-AEP as it explored the possibilities of developing environmental projects in Mindanao. GEM provided information and liaison services for US-AEP personnel who were trying to develop BOT-type projects for the development or improvement of Davao City's solid waste management, potable water supply and integrated wastewater systems.

Transparency and Accountable Governance (TAG) Project

- GEM provided support for TAG projects aimed at improving public service delivery in Mindanao.
- GEM helped TAG and the MBC organize the 1st Mindanao Transparency Governance Conference in Mindanao in 2001.

Microenterprise Access to Banking Services (MABS) Program

- GEM provided the MABS Program with communications support in the form of media relations and press releases. MABS assists rural banks throughout Mindanao and the conflict-affected areas to develop the capability to profitably provide services (loans and deposits) to microenterprises.

Credit Union Empowerment and Strengthening (CUES) Program

- GEM helped disseminate information on the CUES Program which assists key credit unions throughout Mindanao to become "model credit unions."

10.4 Conclusion

Aware of GEM's local networks, familiarity with local conditions, and capability in project preparation and management, other USAID projects and donors regularly approached GEM to initiate active collaboration. This collaboration was particularly successful in accelerating rural infrastructure development in conflict-affected areas. For example, GEM was able to help former MNLF combatants access small infrastructure grants from both the World Bank and OPEC-assisted SZOPAD Social Funds and from the New Zealand and British governments.

In most donor-assisted projects, GEM provided technical assistance for project planning, proposal preparation and packaging, investment promotion and institutional linkages between project proponents and fund providers. GEM also aggressively supported the communications needs of other USAID projects.

Chapter 11

The Special Activity Fund

1.0 Introduction

The GEM Special Activity Fund (SAF) was a facility to fund implementation of various efforts and activities that are supportive to the attainment of overall GEM objectives by organizations that the Program collaborates with. The SAF was an important tool for GEM because it allowed for a flexible, expeditious response to strategic targets of opportunity and emerging activities, needs and issues that could not be anticipated earlier.

In GEM's first year of operation, SAF funds were mostly used for enterprise development activities. This was modified in the second and third years to include agribusiness and enterprise development efforts focusing on key crops and enterprises. The remaining years were primarily focused on business support organizations, specifically to institutionalize newly formed organizations, and provide support for trade and investment promotion and for activities in conflict-affected areas.

Funds were allocated to cooperating organizations for the production and printing of brochures, promotional videos, special policy/studies, implementation of conferences, seminars, workshops and training programs, commodity purchases, technical assistance, and receiving and briefing visiting potential investors.

To help accelerate economic growth in the region, a total of US\$2.4 million was allocated for GEM special activities throughout Mindanao and another US\$1 million for SZAED project activities focused on the ARMM and the SZOPAD. Of the US\$3.4 million, US\$ 2.7 million was spent on SAF activities, with the balance realigned to other important GEM activities. Of the 1,582 SAF-supported activities, 78 were not implemented due to peace and order problems, cancellation of activity, and delay or non-availability of counterpart funds of the cooperating agencies.

11.1 SAF Support to BSOs

Nearly half of the total SAF outlay, amounting to US\$ 1.3 million, went to support BSOs. The Mindanao Business Council was the biggest beneficiary, getting US\$457,159 (17% of SAF total) for staff salaries, commodities, domestic and international travel, production of promotional materials, media coverage, workshops and conferences, regional consultations, and other MBC/chamber activities. Salaries of the executive director and a staff of six were funded on a cost-sharing basis. This allowed MBC to effectively operate and respond to the needs of its members, and help accelerate economic growth in Mindanao and policy reform at the national level.

The remaining US\$812,117 (31% of the SAF budget for BSOs) was given to other chambers and producer organizations in support of special activities such as congresses, exhibits, conferences and implementation of agriculture and aquaculture activities, the Targeted Crop Expansion Program (TCEP), and business outreach support services. The BSO events provided the venue to discuss issues and concerns, policy formulation, updates on previous resolutions passed and

technical forums that tackled updates on technology production, post-harvest handling and control of pests and diseases.

Training activities on potato, mango, rubber, cassava, coffee, cacao, peanut, banana, high value fruits (durian, mangosteen, lanzones), seaweed and trees were conducted under the TCEP program. Other training programs designed to meet quality standards of buyers and obtain access to more profitable markets were conducted for abaca, pineapple, ginger, ube, cotton, calamansi, vegetables (sweet pepper, carrots), sericulture, dried and artificial flowers, orchid growing, *sinamay* weaving, landscaping with ornamental and potted plants, aquaculture (eel, lapu-lapu, crab fattening, pearl culture, seaweed), fish and fruit processing.

Additional outlays went to field tours or cross visits to farm and processing plants, printing of promotional materials, salary and travel expenses of the activity coordinators, and trade expositions.

Nine BSOs were provided funding to cover part of staff salaries, travel, and office equipment. Recipient organizations were the Metro Cotabato Chamber of Commerce and Industry, Mindanao Fruit Council, SOCSKSARGEN Federation of Fishing Associations and Allied Industries, Zamboanga Chamber of Commerce and Industry, TREES Mindanao, Muslim Business Forum, Western Mindanao Seaweed Industry Development Foundation, Inc., Mindanao Business Council, and the Northern Mindanao Peanut Industry Association.

Training on board governance, needs assessment, planning workshops and consultations were provided the Chambers of Commerce and Industry in Tawi-Tawi, Sulu, Basilan, Maguindanao, Marawi, Butuan, Agusan, Davao, Surigao, South Cotabato, General Santos City and Cagayan de Oro.

Financial and technical support for wood processing and furniture development was provided to seven organizations. These include training programs and technical assistance to improve the quality of furniture products and meet the requirements of domestic and international markets, and thereby generate employment in the area. Involved were furniture associations and cooperatives from General Santos City, Makilala in Cotabato, Datu Odin Sinsuat in Maguindanao, Butuan City in Agusan del Norte, and Tagum City in Davao del Norte.

Financial and technical support for the metalworking, gifts, toys and houseware sectors was also provided to ten organizations under the BOSS project. These included training programs, consultation sessions and participation in the Furniture and Accessories Marketing Expo to showcase their products, get the opportunity to assess their competitive position in the market, and meet prospective domestic and international markets. Their products included silver items, bags, mats, coconut products, metal holders, dried flowers, wall decors, magazine racks, boxes made of indigenous materials, clothes hampers, baskets made of vines, table runners, pillow cases and antique items.

11.2 SAF Support to Former MNLF Combatants

The ELAP received US\$578,223 or 22% of the total SAF expenses. These funds provided 3,980 ex-MNLF combatants with post-harvest facilities (solar dryers, warehouses and corn shellers), training on corn and seaweed production, and provision of agricultural inputs (fertilizers and seeds) for growing corn and seaweed production (nylon, seedlings, styrofoam floats, iron rods, wood stakes and plastic straw). Other expense items were the provision of tube wells, boat and vehicle rental for site visits, costs of meetings, and printing of techno-guide materials.

11.3 Other Uses of the SAF

“Other events” had an outlay of US\$542,980 or 20% of the total SAF expenditures. These covered technical assistance for the Office of the President for Regional Development (OPARD); advisers to the ARMM Governor to help implement government’s peace and development agenda for Mindanao; domestic and international travel of technical staff for trade and investment missions; activities such as conferences, consultation workshops, meetings, monitoring and evaluation of projects; purchase of reference materials and agriculture publications; NSO tabulation of foreign and domestic data; and, infrastructure-related activities such as the workshop on infrastructure rationalization, panel discussion on solid waste, and training on build-operate-transfer type projects.

Communication services accounted for 8% or US\$218,835. The outlay went to the printing of brochures, maps, and poster displays; food and travel expenses of media/press people to cover special events; and other cost items (advertisements, registration fees, purchase of CD ROMs, zip disks, license of MDAEMON software, cost of press briefings and meetings, and supply of films, paper, and video materials). Freelance writers were paid professional fees for writing and placing articles in national papers, in addition to articles produced by GEM in-house writers, to maximize public attention on peace and development initiatives in Mindanao and help position the region as a promising investment destination.

Policy/Studies utilized US\$52,096 or 2% of SAF funds, which went to the (a) AIM study “Road to Peace and Reconciliation;” (b) Inter-island Cost-Structure for Mindanao’s Agricultural Commodities; (c) General Banking Act study; (d) gathering of data for the Study on Human Resource Development Issues, with Special Focus on Mindanao Education; (e) seaweed industry update; (f) A Rapid Assessment of the World Tuna Market; and (g) Philippine Seaweed Industry Analysis. A study tour was also provided for World Bank–FAO and senior DAR officials to visit South Africa, Zimbabwe, and Brazil to observe market-assisted land reform programs.

Chapter 12

Observations and Lessons Learned

1.0 Introduction

In the course of GEM implementation, there were a number of observations and lessons learned that would be relevant to other poverty alleviation, and rural, regional and enterprise development programs. These lessons learned and observations relate to: (1) GEM's enterprise development efforts; (2) environmental factors supportive of successful investment promotion; (3) GEM's policy modification activities; and (4) providing assistance to former combatants in post-conflict situations.

12.1 GEM's Enterprise Development Experience: Lessons Learned and Observations

Be catalytic, flexible, and look for targets of opportunity.

GEM was designed to be a catalyst by helping government, firms and farmer and fisherfolk organizations identify and take necessary strategic actions themselves rather than the Program team doing them. This allowed the program to successfully leverage its resources and provide assistance to large numbers of clients. If GEM had tried to directly carry out all necessary tasks, it would have run out of resources quickly and accomplished much less. Flexibility built into the program design allowed the Program to shift priorities as the working environment changed, and to quickly respond to "targets of opportunity." The GEM Special Activity Fund also allowed the Program to respond quickly and flexibly to emerging Program requirements.

Adopt a multi-disciplinary approach.

A multi-disciplinary approach to addressing poverty alleviation, focused on support for infrastructure and enterprise development and policy reform working in an integrated and mutually supportive fashion, and supported by an effective communications program, was critical to the success of the Program.

Focus on private-sector led development.

Ultimately, it is a dynamic investing private sector that will transform any region. Therefore, about 90% of GEM assistance was provided directly to private firms, farmers, fisherfolk and business organizations, rather than government organizations. This directed Program resources where they could be most effectively utilized. It also insulated the Program, to a degree, from disruptive changes in the focus of government initiatives that often occurred with elections.

Focus on "deals" or transactions.

The "transaction" or "deal" orientation of GEM, with specific targets delineated in its contract, kept the Program and its staff focused on significant, measurable results. A clear focus on outputs such as actual investments made, infrastructure built and policies changed, rather than inputs such as number of studies prepared or conferences organized, was an important management tool.

Focus on key economic sectors, their supply and marketing chain, and competitiveness.

It is not efficient, nor effective to assist one firm or farmer at a time. Working with (and helping organize) producer associations that represent strategic sectors of the economy is an effective means of reaching a large number of proponents. Significant results can be obtained by focusing assistance on key economic sectors and on enhancing strategic elements of their supply and marketing chain to increase productivity and competitiveness.

Pursue market-led agribusiness development and investment acquisition.

Market-led agribusiness development can work, but supply driven initiatives usually do not. Investment and transaction assistance should start with the identification of specific markets, and only then should assistance be provided to firms or cooperatives to develop the capability to access these markets.

In the end, market forces will determine if any particular economic activity functions or fails. Targeted action to fast-track or pump-prime an activity may work in the short or medium-term, but eventual success depends on the underlying economic fundamentals. Starting with a pilot or trial effort could be the best way to determine business feasibility and attract investor interest, rather than trying to broker large-scale activities that require substantial up-front investment commitment. The bottom-line is that there must be an existing market for the product, and the enterprise must be competitive, to justify any business activity.

Link small businesses and farmers to bigger firms.

Attracting larger, transformational investments is also important because these investments will act as a nucleus for the establishment or strengthening of SMEs. Linking SMEs, farmers and fisherfolk with consolidators, buyers and large firms through subcontracting and similar arrangements is an important means of providing SMEs and producer groups with access to technology, markets and other resources that they may not be able to generate internally.

A key to effectively assisting SMEs is the selection of firms or individual entrepreneurs with the ability and motivation to take maximum advantage of the assistance provided to improve their operations, with the willingness to significantly supplement the assistance with their own resources, and with an interest in serving as models and helping other firms in their industry to adopt similar changes.

Mount an effective communications program.

One of the greatest assets in realizing the goals of the GEM Program was the presence of a communications unit which effectively promoted the objectives of GEM's infrastructure, policy and enterprise development initiatives and played a significant role in helping counter the adverse impressions of Mindanao fostered by domestic and international news. GEM's communications program produced promotional materials, fruit and vegetable buyer guides, maps, a CD-ROM and website, a video, and large number of stories in local, national and international media. It also promoted the success of assisted groups, informed buyers and

producers, advocated for policy reform, and provided graphics and media services to its clients and counterparts.

Have a strong field presence.

If the GEM Program had been implemented from Manila or from just one city in Mindanao, it would have been less successful. Effective development efforts, particularly in an area as large and diverse as Mindanao, require the maintenance of a strong field presence. It is important to establish field offices or place staff in organizations in the field. Field staff sensitive to local political and cultural dynamics, and knowledgeable of local networks, opportunities and constraints, is essential.

Forge partnerships.

An important success factor in GEM implementation was the wide range of partnerships forged with local and national government agencies, donors, NGOs and private firms. These partnerships with other donors and firms allowed GEM to substantially leverage program resources.

Be aware of investor vs. entrepreneur distinctions.

The motives for undertaking an economic activity are different for the investor as compared to the entrepreneurial owner or operator. The investor is more sensitive to perceived risk, since he has little influence over the actual business activity. Similarly, investment institutions (banks, venture capital funds, etc.) are more conservative in assessing risk and payback probabilities than businessmen who would be involved in actual implementation. This distinction is critical in designing a business activity in areas considered to have a high level of financial risk. While entrepreneurs could be interested to pursue a project under such conditions, investors (individual or institutional) would most likely step back. The strategy for facilitating investment should, therefore, adapt to the requirements of these two groups.

Commercial trading requires volumes.

Upgrading small-scale or backyard production to a commercial level is necessary for any significant trading activity to take place. The issues of supply volumes, quality standards, packaging and delivery timing must be appropriate and predictable for traders to be seriously interested. Otherwise, they will go elsewhere. Such issues are not solely determined by individuals or business entities, but are also affected by macro-level structural constraints, such as the effects of agrarian reform or labor legislation. For agribusiness transactions, organizing producers into larger groups is often necessary to meet commercial volume and quality requirements.

12.2 Some Important Environmental Factors for Successful Investment Promotion

It is clear that accelerating economic activity is predicated on the existence of favorable conditions. There are crucial factors that need to be in place before investments can materialize or projects can succeed.

Perception is Reality

For the potential investor, a positive environment for business activity is critical to decision-making. Substantial effort is required to offset the skepticism caused by negative perceptions. It is important to strongly, clearly and honestly communicate the rewards and opportunities the area offers. It is useful to differentiate between peaceful areas in a region and less safe areas and communicate those differences well to potential investors outside the region.

Physical Infrastructure

Having in place adequate infrastructure, such as transport facilities and communications systems, is a must. Seaports, airports and road systems should be adequate and reliable, with efficient communications facilities (radio, telephone and internet services).

Labor and Management Skills

Large projects require an equally large pool of skilled labor and managerial talent. Manufacturing facilities are set up where skilled labor is readily available.

Effective Legal Environment and Good Local Governance

Investors are attracted to areas where contracts can be effectively implemented. Contracts can be carried out most efficiently where government and contractual procedures are rule-based, and the rules are clear to everyone, equitably applied and enforced.

Investors appreciate a location where local government units make them feel welcome. While this is normally expressed through tax incentives, investors also want more efficient processing and handling of locally-required documents. In addition, they are interested in knowing the “project development” capabilities of the LGUs as well as proponents in the area.

Healthy Environment

Most importantly, peace and order considerations, as well as the overall quality of life, are crucial to investors. Obviously, conflict-affected areas need help from the national government in this regard. Without these minimum requirements, conflict-affected areas cannot realistically expect to attract private sector, factory type investments. Investors would likely go to other growth areas (e.g., Cagayan de Oro and Davao), if Mindanao is considered at all. It is not surprising that there are few private investment projects in conflict-affected areas available for support, and few proponents (local or foreign) to support them.

12.3 GEM Policy Modification Lessons Learned and Observations

Important factors for successful policy reform efforts include the following:

Having a good principal (a “champion”) is important.

While a highly qualified policy team can achieve success in its advocacy work, its success rate will be greatly enhanced if it has a good counterpart individual or principal (a “champion”) within the government. After all, the ability of GEM to speak on issues, particularly controversial ones, is constrained not only by the fact that consultants are “outsiders looking inside.” The principal should be a senior government official who has influence on policymaking, is credible and respected by the region’s community, whose opinions carry weight, and has access to different public and private forums and media.¹

Having good counterpart institutions is equally important.

The counterpart or principal should complement and work well with local institutions that represent the various stakeholder groups in the region. GEM was able to forge good working and personal relationships with MBC, MEDCo, MLA, OPAMIN, Kusog Mindanaw, etc. Likewise, for its advocacy work, this relationship was extended to officers and members of civil society groups and media working in Mindanao and in Manila. The result was consistency—and therefore, strength—in the policy positions and pronouncements of these groups as well as adequate media coverage that highlighted and generated wide support for reform.

There is a need for flexibility.

Policy research and advocacy, to attain results, need to operate on the principle of “Management by Opportunities.” There is no hard and fast rule on when to push for a certain policy reform; it depends on whether or not the opportunity is appropriate for its discussion and eventual adoption. When opposition to the policy reform is too strong, there is a need to retreat, wait for the opposition to die down, and to re-surface again at a more opportune time. The policy task takes many forms. Research can be presented in a full-blown study, a policy brief, a memo, position paper or a newspaper feature article. On the other hand, advocacy can be a forum, workshop, conference or summit to discuss a policy issue, a news article, briefings to policymakers, writing speeches for key national leaders, or just verbal advice to a policymaker based on the results of the policy research. It requires maximum flexibility in terms of the form to be used, the approach to be undertaken, and the time and effort spent in ensuring that the policy recommendation is finally adopted.

There should be adequate participation of the stakeholders.

To succeed in policy advocacy requires that stakeholders be continually consulted and involved not only in the formulation of the policy, but more importantly, in advocating for the desired policy reforms. GEM undertook extensive consultations with its various advocacy allies in the

¹ In the case of GEM, the principal was the Chairman of MEDCo and the Presidential Assistant for Mindanao.

entire policy process. It worked in the background and provided technical backstopping to representatives of the government and private sector in various meetings. The result was the empowerment of the stakeholders due to the confidence they gained in successfully pushing for policy changes that they tabled in these meetings. In the process, GEM was also able to continue validating its policy agenda through inputs obtained from interacting with the stakeholders, policymakers and opinion leaders in Mindanao and the central government. In turn, this enhanced the relevance, timeliness, and eventually, the credibility of GEM among these stakeholders and policymakers.

12.4 Assistance to Former Combatants: Lessons Learned and Observations

Address beneficiaries' needs directly.

The primary success factor of the ELAP program was that it directly addressed the needs of beneficiaries. Survey results revealed that before ELAP, beneficiaries had been engaged in little productive activity, because they had no funds for productive ventures and lacked modern farming skills and access to technology. The program provided capital and technology to the beneficiaries.

It is particularly important to put production inputs directly into the hands of the individual beneficiaries (not to the commanders) in the form of in-kind assistance, instead of cash.

Adopt a simple approach that generates quick results.

The GEM approach was simple and generated quick results, which was appropriate for beneficiaries who had little experience in non-combatant endeavors. The program focused on quick maturing production crops (e.g., corn, rice, seaweed and cultured fish), with relatively simple technology and readily available markets.

GEM also focused its assistance on “clusters” of relatively contiguous beneficiaries of 75 to 100 participants to ease delivery of services. The most successful graduates were those that were well-organized and with good leadership. Once groups were successful in production of basic crops, assistance was provided to help beneficiaries to participate in other business-oriented activities.

Have a finite duration of assistance and then beneficiaries graduate.

Inputs were provided for only two cropping cycles in the case of corn and rice, and one cycle for seaweed and cultured fish. The beneficiaries then “graduated” from the program. When beneficiaries entered the program, this was made clear to all participants and that the responsibility to work for success was theirs. While the input support was limited, it was complemented with technology training (through ELAP and other partner organizations), which is a permanent benefit. This helped ensure the sustainability of the program’s economic thrust.

Select the right partners and roles.

Crucial to the program was having the MNLF leadership, rather than the program team, choose the individual beneficiaries and involving the Bangsamoro Women's Development Foundation to help GEM "enter" remote areas, to help "assure security," and to revalidate the selection of beneficiaries. A Management Committee composed of government and MNLF leaders set program policy and helped minimize implementation problems. GEM also maintained good and regular contact with both MNLF and local political leaders at all levels.

Staff must understand the Program well and implementation rules and procedures must be consistent.

The staff must know the Program well, what it can and cannot do, to avoid implementation issues. They have to be consistent in following rules, procedures and selection criteria. What is said to counterparts and participants in one area should be the same for those in another area. It is also important to hire local staff who are aware and sensitive to local cultural and social norms and structures, and are acceptable to the target beneficiaries.

Provide equipment and facilities only to well organized groups with good leadership.

The sustained operation of equipment and facilities provided by donors to remote rural communities is always a concern. GEM found that success was most likely when equipment was provided to successful production graduates that were well organized and had good leadership. Success could be increased further if facilities were given to groups that had recently successfully initiated other enterprises on their own.

Have well defined and clear security procedures and be strict in following them.

In conflict-affected areas, security of staff is always an important concern. There are a number of ways to promote good security, but it was most important to have clear rules and procedures and to strictly follow them. These procedures include providing regular guidance on the security situation in specific project areas; having standard procedures and rules about where, when and how to travel; and maintaining contact and always knowing where all staff are. Also, conflict-affected areas were only entered while traveling with someone from the local community.

Establish partnerships with donors and firms and have an effective communications program.

Forging partnerships with other donors and private firms and having an effective award-winning communication unit were significant factors in the success achieved in all GEM activities, including the ELAP sub-program. GEM made it a strategic emphasis of the Program to get to know the other donors, to find out what their programs' objectives were and to aggressively help package projects suitable for funding from them. GEM helped donors in any way it could, found them reliable partners or beneficiary groups (who were assisted in proposal preparation), and generally made it easy for them to operate in the remote areas in which GEM worked. GEM worked in a similar fashion with agricultural input suppliers. Using these approaches, GEM helped 140 communities access over US\$1 million of facilities, equipment and extension

services. The GEM communications efforts helped promote success of beneficiaries, attract other donors and firms, advocate for policy reform and helped GEM contribute to peace-building efforts.

Chapter 13

Conclusion

The goal of the Growth with Equity in Mindanao (GEM) Program was to help bring about peace and accelerate economic growth in Mindanao, while ensuring that the benefits were widely distributed among its people. GEM was funded by the United States Agency for International Development (USAID) and was implemented under the guidance of the Mindanao Economic Development Council (MEDCo).

GEM helped more than 56,000 farmers double their incomes by producing higher value crops, adopting improved technologies, and selling crops to new and more profitable markets. GEM improved economic opportunities for communities in conflict-affected areas by helping people in these communities start new enterprises. Through its “Livelihood Enhancement and Peace” (LEAP) Program, GEM worked closely with the Moro National Liberation Front (MNLF) to assist 13,000 former combatants and their families initiate commercial-level production of hybrid corn, rice and seaweed.

GEM helped investors and producers carry out 343 projects in Mindanao valued at \$441 million. These investments generated an estimated 77,000 jobs. GEM also helped national government agencies, LGUs and donors to identify and implement 151 infrastructure projects (post-harvest facilities, roads, air and sea transport) valued at \$145 million. In conflict-affected communities, 160 investments or transactions and 140 rural infrastructure facilities were assisted by GEM.

GEM worked with and strengthened 26 Mindanao business support organizations (BSOs) representing over 80,000 firms, workers, farmers and fisherfolk working in sectors important to the Mindanao economy. These BSOs included eight important new producer associations created with GEM assistance. In conflict-affected areas, GEM helped create four business support organizations, including one confederation of chambers, and revitalized five existing chambers. All of these organizations and chambers have a substantial membership of Muslim-owned businesses.

GEM supported the Mindanao Business Council (MBC), other business organizations and MEDCo in their successful efforts to increase the share of the national infrastructure budget for Mindanao from the 11 percent average in the decades before GEM to 27 percent in 2002. Significant progress was also made in assuring the sustainability of the fishing industry and the resource upon which it depends, laying the groundwork for ongoing efforts to reduce the cost of shipping, and promoting transparency and governance.

In addition, the GEM communications program has won two international awards. The Program has also been recognized as providing a good training ground for development workers. GEM local staff have been widely recognized for their skills and have gone on to work for the ADB, World Bank and international and local agribusiness firms. Two former staff members were awarded a Hubert Humphrey Fellowship and a Fulbright Fellowship.

Very significant results of the GEM Program came from the strong support it gave former MNLF combatants, farmers, fisherfolk, business organizations and local governments in conflict-affected areas. This created an environment that helped sustained peace in beneficiary communities when fighting erupted between the Philippine army and insurgent groups.